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ECONOMIC AFFAIRS

No. 937

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ECONOMIC POLICY, ORGANIZATION, AND MANAGEMENT

KHEYNMAN DISCUSSES ECONOMIC GROWTH FACTORS

Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO) in Russian No 5 May 80 pp 32-53

[Two-Part article by S. A. Kheynman, Doctor of Economic Sciences, Professor, Institute of Economics of the USSR Academy of Sciences: "Organizational and Structural Factors in Economic Growth"]

[5 May 80 pp 32-53]

[Text] Factors in Economic Growth

In defining the chief directions for improving all of our planning work, the decree of the CC CPSU and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and the Quality of Work" gave first place to the selection of the most efficient ways of achieving the highest final national economic results. In this connection, the use of organizational and structural factors for increasing the efficiency of socialist production becomes especially important.

Growth of the USSR Economy and the Discrepancy Between the Growth Rates of Resources and the Results of Social Production

During the last two decades the economy of the USSR has grown substantially and there has been a substantial rise in the technical level and in the amount of material production. From 1960 through 1978 national income tripled, and labor productivity and real per capita income increased by 2.5 and 2.2 times. The country's industrial production of the means of production and fixed productive capital increased by 4.1 and 4.4 times, respectively. The annual amounts of capital investments and of the commissioning of fixed capital have more than tripled.

At the same time, the 1970s have been characterized by a certain slowing down in the growth rates of the amounts and efficiency of material production (see Table 1). Moreover, the growth rates of material production resources slowed down to a lesser extent than the growth rates of the results of social production.

Table 1

Average Annual Growth Rates of the Indicators
of the Development of the USSR Economy,
Percent

	1961-1970	1971-1978	1979
Fixed Productive Capital	8.9	8.2	7.2
National Income Used for Consumption and Accumulations	6.4	4.8	2.0
Productivity of Social Labor	6.2	4.3	3.7*
Industrial Production Fixed Capital	9.8	8.2	7.4*
Total Industrial Output	8.5	6.5	3.4/4.8*

*Data for 1978

The USSR is overtaking or has overtaken the United States for the amount of fixed productive capital, the extraction of fuel and the production of basic structural materials (above all, ferrous metals and cement), the metal-working equipment pool, the amount of sown areas, livestock herds, the production of mineral fertilizers, the amount of capital investments, and the size of labor resources employed in material production. However, the relationship between the amounts and the dynamics of the resources of the two countries is substantially more favorable for the United States than the relationship between the technical level and the results of production -- the amounts and dynamics of output, national income, labor productivity, and return on capital. This means that the expenditures per unit of result of social production in the USSR are still substantially greater than in the United States and, consequently, the return from a unit of resources is less.

"Enormous funds are being invested in our economy," L. I. Brezhnev said at the November (1979) Plenum of the CC CPSU. "Our country has taken first place in the world for the extraction of many types of fuel and raw materials, for the production of iron, steel, cement, and mineral fertilizers, and for a large number of other indicators. Productive capital is continually growing, and more and more labor resources are being drawn into the economy. But we obtain a smaller final result than we should, than is permitted by our capabilities. Hence, disproportions, shortages, and insufficient reserves." What are the main reasons for this situation?

The data cited above on the amounts and dynamics of the resources and results of production provide grounds for assuming that along with the rates of the growth and renewal of equipment a very large and in many respects decisive role is played by the following:

the structure of production which has developed historically and is now being formed in the five-year annual plans and in accordance with which existing production resources and those being created are assigned and used;

the use of production resources, that is, the organization of production, its organizational structure.

Shortcomings in this field are able to decrease final results lower than the level which could be obtained within the limits of the possibilities of scientific and technological progress which have already been realized.

In the economic literature a decrease in return on capital is frequently connected with changes in the branch structure of production. There is no doubt that structural changes do influence the level and dynamics of return on capital. But during the period being considered the branches of the infrastructure which are marked by a substantially higher capital intensiveness grew more slowly than all of material production. Electric power engineering, the extraction industry, metallurgy, and the cellulose and paper industry -- branches with a higher capital intensiveness -- also grew more slowly than all of industrial production. This means structural factors during this period promoted a rise (and not a lowering) in the average level of return on capital. Consequently, the problem is not with them, but with organizational conditions -- in the excessively long periods connected with the construction and mastery of new capital and in the unbalanced nature of plans.

The Structure and Organization of Production -- Content and Interaction

Structure and organization are the chief characteristics of social production. Structure determines the possibility of realizing its basic goals. Basing itself on an analysis of the tendencies in the development of the structure of social needs which have taken form and a forecast of those forseeable in the future, and also taking account of the possibilities of the modern scientific and technological revolution, structural policy has the task of defining the content and the most important proportions in which the basic elements of social production are combined:

the technical level and structure of the final output of branch complexes and productions and its correspondence to the structure of needs;

the technical level and structure of the use of raw materials and materials for each production complex;

> the structure of labor expenditures in the economy and the proportions of the use of labor resources;
>
> the proportions within which the basic branches, sub-branches, and productions which ensure high rates for expanded reproduction are combined, the assigned structure and amounts of final output, the preservation of the amounts and qualitative characteristics of the final results of production, the necessary technological progress, and the level and proportions in the development of the branches of the infrastructure;
>
> the technical level and progressive correlations in the development of the basic functional elements of production -- power engineering, the means and subjects of labor, and technology;
>
> the most rational and progressive regional proportions in the development of the branches, sub-branches, and productions.

Organization is the active force which transforms these possibilities into reality, into practice.

The first and most important aspect of the social organization of the production process is the organization of the functioning of the productive forces. This includes the purposeful division and cooperation of functions and labor, their efficient combination, and the formation of the most expedient and economical relations between the personal and material elements of production (at all of its hierarchical levels) in time and in space.

At the level of the primary production unit this is expressed in the organization of the immediate process of production. It embraces:

> the formation of efficient and adequate characteristics for the branch of the organizational-production structure of an enterprise;
>
> the system of intraplant specialization and of the cooperation of production sectors and shops;
>
> a progressive, economical, and sufficiently flexible organization of production in space -- the spatial layout of jobs, sectors, and shops, ensuring the most economical routes for the movements of the subjects and products of labor in the process of production;
>
> the introduction of flow-line methods of the organization of the production process.

This same complex includes the organization and functioning of auxiliary services, the creation of a well-directed organizational structure of the management of production and the organization of labor. The creation of a progressive organization of production was provided for in planning the Volga Motor Vehicle Plant in Tol'yatti. This kind of practice is still very far from being widespread.

The organization of production in the primary echelon is closely connected with the organization and structure of the branches and with the level of their specialization. The specialized production of replacement and repair parts and units for equipment, the specialization of the production of tools and, especially, of production rigging and the development of a specialized repair production and creation of machinery services, and the development of a commercial service industry -- all of these branch and intra-branch solutions have a direct influence on the organization and structure of production at the enterprise, in the shop, and in the sector.

Beyond the limits of the primary echelon, at the level of branches, the organization of production is expressed in further progress in the division and cooperation of labor, and in the creation of economical forms of the specialization and cooperation of productions and enterprises and of the combining and (precisely on this basis) concentration of production which ensure a high and systematically rising technical level and quality for both production itself and for the final product.

On the level of the national economy this process is connected with the tasks of balancing plans and with the creation of reserves and of all of the conditions for the flexible functioning and steady progress of production.

The second group of organizational problems embraces the formation and functioning of the systems and indicators of planning and accounting, the criteria for evaluating the results of economic activity, the limits of the action of cost accounting, the principles and systems of stimulating the participants in production, and other elements of the economic mechanism, and also the principles and forms of organizing competitions between workers' collectives.

The third group of problems is connected with the management of production:

> the division and purposefully directed distribution of the functions and responsibilities in the planning and managing of resources and of the process and results of production, including legal aspects;

the organizational structure of management and of the managerial apparatus;

the functions, rights, and responsibilities of the production unit, of associations, ministries, Gosplan USSR, and the regional agencies and branch and subdivisions of the party apparatus;

the role and forms of participation by each of these elements in the organization of the processes of the functioning of productive forces.

The solution of the above-enumerated organizational problems is not only of practical but of theoretical importance. All of them taken together and each of them taken separately are directly connected with the relationships of people in the process of social production. They act as the cohesive fabric between the different elements of the productive forces, and also between the productive forces and production relations, determining their combination and interaction in the process of social production and the magnitude of its final results.

In "The Next Tasks of Soviet Power," which was written after the nationalization of the most important means of production, V. I. Lenin put forward as the central and most important task the "socialization of production in fact." The present stage of the development of our economy, the gigantic resources of socialist production, and the tremendous tasks of communist construction demand a new and higher stage and level of the division and cooperation of labor and of the concentration and specialization of production, and a consistent orientation by producers toward satisfying the needs of consumers. This will be a higher level of the "socialization in fact" about which V. I. Lenin wrote.

Organizational-Structural Reserves and Overcoming Inertial Tendencies

In the economy of our country which possesses a mighty economic potential and a large multi-branch material production and which almost fully provides itself with its own resources of fuel, raw materials, and materials there naturally exists an enormous inertia in the historically developed capacities and structure and organization of production. The renewal of such an enormous potential demands the long-term mobilization of large production resources which are created in the process of the use of this production apparatus.

The consistent realization in investment programs of a progressive technical and structural policy, the full and intensive use of the existing production apparatus, and the replenishment and expansion of state reserves create the objective preconditions for overcoming inertial forces. By inertial forces we mean the striving of branches toward "self-reproduction" -- the continuation of the production of already customary mastered means of production -- and toward the preservation of the customary structure of production and of final output which ensure the customary conditions of functioning, including customary bonuses. In order to overcome inertia it is necessary to have the kind of system of stimuli which would make renewal a vital necessity for the producer. Within the framework of socialist production relations the basis for such stimuli is, in our opinion, the creation of conditions which guarantee the consumer freedom of choice and which thereby compel the producer to perfect and renew his output.

This kind of system has not yet been created in our country. The 12 July 1979 decree of the CC CPSU and USSR Council of Ministers set the task of creating the most important preconditions for freedom of choice -- the planned formation of sufficient reserves at all stages of the reproduction process. We are talking about the creation of that "constant relative overproduction" which it is necessary to have, in the opinion of K. Marx, after the elimination of the capitalist form of reproduction. "On the one hand," Marx wrote, "a certain amount of basic capital in excess of what is immediately needed is produced; on the other, a reserve of raw materials and so forth is created in excess of the immediate needs of a given year (this applies especially to the means of subsistence). This form of reproduction is equivalent to control by society over the material needs of its own reproduction."*

The creation of such reserves is provided for in the decree of the CC CPSU and USSR Council of Ministers. The formation of the material and financial reserves necessary for the proportional and balanced development of the economy, including reserves of production capacities, is cited as being among the most important measures on raising the level of planning work in the economy.

The preservation of the already developed technical level and structure in newly created means of production is also connected with the scarcity of the means of production which has already become traditional and with the practice of making up plans in which sufficient reserves of the means of production are not provided for. The quite widespread lack of balance in plans is, in essence, nothing other than "planned" scarcity. The "omnivorousness" of consumers which is inevitably engendered by it eliminates all stimuli to making producers measure up to the interests of consumers and overcome the forces of inertia. This kind of situation practically nullifies the possibility of creating an atmosphere of natural selection and of genuine feedback, especially and above all in the production of the means of production, and, correspondingly, limits the stimuli toward the development and production of fundamentally new means of production.

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* K. Marx and F. Engels, "Works," Vol. 24, pp. 532-533.

A lack of balance in plans exercises both a direct and indirect influence on the functioning of social production. It worsens the use of and frequently leads to the immobilization of existing economic resources. The use of labor resources is also worsened.

A lack of balance in plans and the exacerbation of shortages in the sphere of production connected with this greatly hinders the functioning of the economic mechanism and the use of market relationships. No sanctions for the violation of deliveries will be effective if a plan is not fully provided for materially. Many of the demands of superior agencies and their managerial decisions turn out to have no backing because behind them there is a lack of balance.

A lack of balance in plans also provides nourishment for upward distortions in reporting. Meanwhile, it is clear that the balancing of plans presupposes sufficiently accurate information and, consequently, dictates the necessity for the complete eradication of artificial overstatements of the actual results of economic activity. Upward distortions have a considerable disorganizing influence and lead to important negative consequences of a social character. Economic information which has been distorted as a result of upward reporting distortions fosters the adoption of unsubstantiated economic decisions. The obvious discrepancy for enterprise collectives between the real results of production which are visible to them and announced results has a demoralizing influence on workers, weakens labor discipline, worsens attitudes toward work, and also has a negative influence on attitudes toward socialist property. The operating system of stimulation frequently impels the administration and members of collectives to tailor results to the norms which are necessary for bonuses.

It is for this reason that the fact that the decree of the CC CPSU and USSR Council of Ministers provides a whole system of measures to improve balance in the development of the economy is of such great importance. The new procedure for drawing up annual plans -- on the basis of the five-year assignments and economic normatives -- will motivate enterprises and associations to adopt intense plans.

There is also substantial inertia in the field of the organizational structure of production. It is connected above all with the historically developed level of the development of our far-flung interbranch cooperation, with the quite insufficient attention which has been devoted through all of the years in the system of the economic mechanism, to the factor of time, and with the weakness of sanctions which should operate inevitably when there are violations of the schedules for cooperative deliveries. These tendencies have been strengthened by the lagging in the development of the infrastructure and, above all, of transportation. Both during the pre-war and during the post-war years the infrastructure has developed, by comparison with material production, not only not at outstripping rates which is a mandatory norm under modern conditions, but with substantial lagging.

Thus, as it seems to us, the following answer may be given to the question which has been posed concerning the ways of overcoming the gap between the dynamics of the resources and the results of production.

Along with the necessity for a further systematic rise in the technical level of all of the branches of production and all of the means of production which are produced, and also for a consistent increase in production resources, the following are very important and very great in their possibilities as long-term sources for economic growth and increased production efficiency:

the use of organizational-structural conditions and reserves;

the formation of a more rational structure in production as a whole and in its most important sub-systems and complexes;

an improvement of the organization of social production on all levels, and, on this basis, a fundamental improvement of the use of existing and newly received resources.

Let us first examine the organizational problems.

The Dissolution of Branches in Ministries and Departments, and the Problems of the Specialization and Concentration of Production

After the September (1965) Plenum of the CC CPSU and the restoration of the branch principle of management there occurred a quite intensive process of the dissolution of branches in ministries and departments, each of which has a tendency toward turning into a peculiar kind of "Universam." This, of course, has an effect upon the level of the use of production resources, the rates and efficiency of scientific and technological progress, and the development of applied scientific research. In his report at the 25th Party Congress L. I. Brezhnev observed that the endeavor of many economic executives to provide for themselves is engendered by violations of planning and contract discipline. "But it is necessary to fight against this," L. I. Brezhnev said, "by increasing discipline, and not by encouraging tendencies toward a natural economy and departmental narrowness."

The entire industrial practice of the second half of the twentieth century shows that only the consistent specialization and high concentration of the production of homogeneous output or production services creates the conditions for genuinely revolutionary technical solutions.

One of the main reasons for the above-noted lack of correspondence between the results of production and the amount and dynamics of production resources is precisely the fact that a very substantial and even increasing part of resources is used not under the conditions of the concentrated and specialized production of homogeneous products and services and of homogeneous technological processes, not with its specialized branches and with a highly developed standard of production, but at the "native" enterprises of numerous ministries and departments and the "native" auxiliary and service shops and productions of the different branches of our economy; that is, outside of the culture of a given branch, and in an environment which is alien to the given production.

This situation and the consequences to which it leads can be comprehensively examined through the example of machine building. The choice of machine building is justified both by the critical importance of this complex for the accomplishment of all of the most important tasks of communist construction and by the fact that organizational-structural problems are most prominently reflected in machine building.

The Practice of Machine Building (Organizational Aspects)

If we proceed from the course which was adopted by the 25th CPSU Congress, then the final results for whose achievement machine building is responsible consists not simply of the production of equipment (of course, of high quality), but of the overall reequipping of the production apparatus and of the creation of the material conditions for its effective functioning; that is, a minimization of the resources needed not only for the production of equipment, but also for the servicing and uninterrupted functioning of the production apparatus in all of the machinery consuming branches, including machine building itself.

This means that in evaluating the work of machine building, account has to be taken not only of the resources of the metal-working equipment, metal and labor which are connected with the production of machines, but also of the expenditures of all resources for the servicing, repairing, and operation of this equipment. This approach is essential because it is precisely the aggregate of machinery production and machinery servicing which determines the load and the expenditures which are put upon the economy as the result of the work of machine building. The principles of socialist planning and the quite unfavorable real economic situation which has developed in this field make this kind of approach essential.

Three Machine Buildings

At the present time three machine buildings have in fact historically developed in the country: the machine building plants of machine building ministries; the machine building plants of non-machine building ministries and departments; and the machinery and machinery repair shops and subdivisions which are a part of non-machine building enterprises. The first and the second contain only slightly more than half (55 percent) of the entire machine tool pool.

The practice in a number of cases is as follows. The Ministry of Coal Industry has been "given" coal machine building. It would seem that these enterprises do what is necessary for the consumer and they do it when it is necessary for him. In fact, the situation turns out to be somewhat different. As in many other similar cases, the problem here of orientation toward the consumer is solved by means of turning the consumer of output and services into their producer. As a result, there develops the natural economy which was condemned by the 25th CPSU Congress which is amateurish by its nature, inefficient, and unsatisfactory with regard to the quality of the product it produces. The necessary and the only expedient solution is the orientation of producers toward the consumer, a careful and creative study by producers of the directions of technological progress and of all of the needs in consumer branches, active cooperation with consumers in the creation and introduction of new equipment, and guaranteed assistance for them in its mastery and operation.

The effectiveness of machine building and the degree to which the needs of consumers for equipment is satisfied depend not only upon a knowledge of technology and of directions of technological progress in the equipment consumer branches. They also depend upon the technical level and the technology and organization of technological progress and upon the standard of machine building production itself.

In the logic of its organization the above-named complex of the "second" machine building is located outside of the sphere of the influence of a single technical policy and outside of technological progress in the technology and organization of machine building. It is obvious that in the person of their ministries and their technical administrations (the Ministry of Coal Industry, the Ministry of Ferrous Metallurgy, and so forth) these enterprises have clients, and not technical directors and specialists in the field of machine building production. With regard to scientific and technological progress in the field of machine building itself as a whole, these enterprises, it seems to us, are inevitably gradually becoming provincialized.

Calculations for 29 branches of machine building testify to the inefficiency of this kind of organizational model: at machine building plants which are members of a branch of a different character, or are members of non-machine building ministries in general, labor productivity is 20 percent and return on capital is 25 percent lower than at enterprises of "their own" machine building ministries.

As a result of the organization which has developed in the sphere of production and the repairing of equipment in the USSR, around 20 million men are employed and more metal-cutting machine tools and forging and pressing equipment is used than in the United States, Japan, and the FRG combined. The specialized machine building ministries which have the task of creating the material base of scientific and technological progress in the corresponding branches of production possess a much smaller pool of metal-working equipment than many of the consumer branches of this equipment. This kind of distortion worsens the quality of the equipment which is created and the conditions of its use and reduces the efficiency of social production.

The same kind of situation exists at the plant level. At large, and especially at new plants, the billet shops have a large capacity and are equipped with quite modern equipment. However, it turns out in fact that these are also "native" productions which serve only the given plant and for this reason produce for it a very wide products list of billets and have a productivity which is lower than the plants which are equipped in the same way but produce a narrow products list of products.

The "law" of providing for oneself and the endeavor to have "one's own" turns out to be stronger than all of the criteria of efficiency. We know that our large motor vehicle plants themselves produce large and quite complex machine tools (including the casting of frames which "helps" to lower the productivity of their casting productions) and are even "developing" this production. And so, "natural" economy turns out to be compatible with the equipment of the era of the scientific and technological revolution! It is doubtful that machine tool construction can be improved on this kind of basis.

The scattering of machine building basic, billet, and auxiliary productions between departments and enterprises continues. We are speaking about the defects in article specialization. Twenty-two plants of the Ministry of Heavy Machine Building produce 17 percent of the hoisting and transportation equipment, while the rest is produced at 400 plants of 35 ministries and departments. One hundred and fifty-five plants of the Ministry of Road Construction Machinery produce 82 percent of the road construction and municipal equipment, while the rest is produced at 400 enterprises of other branches. The Ministry of Chemical Machine Building creates heat exchange equipment at 14 plants, column equipment at 12, and volumetric equipment at 15 plants. Almost all machine building enterprises manufacture gear wheels for their own needs, and 65 percent of the mounting hardware is produced in a decentralized manner "at one's own place and for one's own needs." All of this is produced in small batches with increased costs.

The centralized production of billets does not exceed 3 percent of the total amount of billets, including a centralized production of castings of 4.5 percent. There are as yet no specialized forging and pressing plants for the production of forgings and stampings in the USSR. The production of iron and steel castings and forgings in engaged in by more than 6,000 enterprises, shops, and sectors with a small volume of production at each. The annual production of more than half of the enterprises which produce iron castings does not exceed 1,000 tons. Almost half of the enterprises which produce steel castings have an annual production of 500 tons. Such volumes in effect exclude the possibility of the efficient use of progressive equipment.

It is worth noting that in the United States enterprises of interbranch productions meet 70 percent of the total needs for castings, 70 percent of the needs for forgings made of ferrous metals, and around 50 percent of the needs for forgings and hot stampings. In the 1972 United States industrial census a special branch for the production of automobile stampings was distinguished: in 1977 it had 579 enterprises, 132,000 workers, and output sales of 9.7 billion dollars.

The specialized production of tools and production rigging is extremely poorly developed in our country. In 1974 the metal-working equipment pool at specialized tool plants consisted of approximately 8 times fewer units than the pool of the tool shops of machine building plants. In 1974 the ratio between the number of workers in the tool-making industry and in the tool-making shops of machine building was 1:6 and the proportion of tools produced at the specialized plants of the Ministry of Machine Tool Industry comes to only around 40 percent.

There are practically no machine building plants and associations for the production of single unit non-standardized production equipment and special types of equipment on orders from enterprises, scientific research institutes, and branches. These needs are met from occasion to occasion by the divisions of the chief mechanical engineer or by other subdivisions of the consumers of this equipment with expenditures of enormous resources of equipment, materials, and labor. This kind of practice is especially inefficient for non-machine building branches which are remote from the culture of machine building production.

In the production of consumer goods custom tailoring ateliers which meet the non-standard needs of consumers are widespread. The creation of similar enterprises is even more necessary in the production of the means of labor and of equipment in general.

Many of the supporters of the situation which has developed in our country refer to the fact that the large companies of the developed capitalist countries quite often produce machine tools and other types of production equipment for themselves. This is regarded as an analogy to our natural economy. This kind of practice really does take place, but two circumstances have to be considered here. Frequently this equipment is produced by quite specialized (although small) machine tool building plants which belong, for example, to an automobile company. Or, which is more frequently the case, a company really does itself produce one or another machine tool "for itself," but bases itself on a whole spectrum of small machine building plants with a functional specialization which competently produce the diverse functional components of equipment, making it possible to assemble it in any variant depending upon the needs of the consumer. And this is something entirely different from the natural economy which takes place in our industry.

It is sometimes said that the present structure and the direction of the development of machine building are more expensive, but, then, they are more reliable. Such a position, in our opinion, is deeply mistaken. While it expends large resources, our machine building nevertheless is not accomplishing many of its most important tasks and is beginning to put a brake upon the solution of a number of fundamental problems of the further development of our economy.

It is completely obvious that a further long-term development of machine building along the old path will demand such labor and material resources as society simply will not be able to allocate. New technical and organizational solutions are essential.

The Management of the Machine Building Complex

The machine building plants of the "first" machine building are managed by more than 20 all-union ministries which do not have territorial agencies. In addition, there are several dozen non-machine building ministries which manage the enterprises of the so-called "second" machine building. The machinery shops and productions which form the "third" machine building are basically not coordinated are scattered over thousands of enterprises in almost all of the non-machine building ministries and departments.

With the exception of Gosplan USSR state agencies which might coordinate the work of machine building and territorial agencies for the management of machine building in a regional aspect do not at the present time exist and their creation is not being planned, although proposals about this have repeatedly been made. There are also no general branch institutes of the technology, organization, and economics of machine building.

The principles of the formation of the machine building ministries themselves also merit critical examination. All of the ministries are oriented basically toward an article-branch specialization and toward the creation of equipment for consumer branches: the Ministry of Machine Building for the Light and Food Industries, the Ministry of Tractor and Agricultural Machine Building, the Ministry of Machine Building for Animal Husbandry, and so forth. The Ministry of Electronic Industry and the Ministry of Instrument Making are exceptions.

This principle has its advantages, since it makes it possible to create systems of machines for the equipping of branches and to have agencies which are responsible for the accomplishment of this task. But in its real embodiment this principle also becomes a certain barrier to scientific and technological progress, since a system of machines includes a wide spectrum of technical devices which are different in their functioning principles, designs, and in the technology of their production.

Meanwhile, modern scientific and technological progress is characterized precisely by a combination of the rapidly growing diversity of technical devices, an expansion of their assortment, and an increasingly frequent replacement of models and a systematically growing isolation of homogeneous or similar functioning parts and units which are common to the most diverse machines and mechanisms. This applies to motors, transmissions, hydraulic drives, cooling and control systems, support bearings, mountings, electronic rigging, and so forth.

This homogeneity and similarity merits careful study and scientific research (of which our machine sciences do unjustifiably little) and cultivation because they provide the key to the solution of the most critical of the economic problems of scientific and technological progress -- a combination of growing diversity and the frequency of the replacement of models and the possiblities of the use of the economic advantages of mass production.

Under these conditions, it is necessary to strive for the comprehensive development of the branches which must and can become the basic ones in the structure of progressive machine building -- the branches of functional specialization which provide the diverse equipment of all associations and ministries ("one's own" and "not one's own") with functional parts and units. This kind of structure which is adequate to the tendencies of scientific and technological progress will also become its catalyst. The entire experience of modern highly developed countries convincingly shows that genuinely revolutionary technical solutions arise under the conditions of the functional isolation and specialization of a given production and of a strict functional approach to design and technological solutions.

Associations with a functional specialization are needed in the organizational structure of the management of machine building. They will represent the highest forms of interbranch productions and will be able to become members of a special and extremely necessary state agency which manages interbranch productions.

With these kinds of structural elements associations (and with the present structure ministries also) which have been constructed according to the article-branch principle will not be compelled to maintain and increase a natural economy. The systems of machines which are produced by them will be able to be put together according to the block principle from their basic and purchased functional units. The necessary precondition for an efficient solution of this complex of tasks is unification and normalization which are mandatory at the branch and ministerial levels and which systematically move forward onto an interministerial general machine building level.*

The interrelationship between the organizational structure of production and its regional structure and organization shows up especially clearly in large machine building centers. Under the existing conditions there is no legal entity in the regions which could have the possiblity and rights to develop efficient cooperation and specialization. When its verticals cross in a large machine building center, the complete branch, or, more correctly, departmental organization of production reveals as in a magnified focus, its inadquacy and one-sidedness.

Similar situations have developed in the timber industry, in the construction materials industry, in motor vehicle transport, and in other branches.

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*It should be noted that at the present time even in the tractor and also in the motor vehicle industry the level of the unification of the units is extremely inadequate. With very close values in their basic parameters the unification level between the basic models of the all-purpose plowing tractors of two related classes -- MTZ-50 and M-40 -- comes to 2.7 percent. As a result, the products list of the original parts and units which are supplied to agriculture come to 323 and 346 items for these tractors. The poor development of unification between, for example, the ZIL Motor Vehicle Plant and the GAZ Motor Vehicle Plant which produce trucks with close freight capacities can hardly be regarded as expedient.

This testifies to a definite lagging by the organization of social production behind the growth of its dimensions and the increased complexity of its relations. Tendencies toward self-provisioning and toward the growth of "one's own" natrual economy are, in the final analysis, a reaction to the insufficient orientation of ministries and of each individual enterprise toward providing for the interests of the consumer, which is by no means the "socialization in fact" about which V. I. Lenin wrote.

Associations Still Far From Always Bring About Fundamental Changes in the Specialization and Concentration of Production*

The work experience of associations provides quite a few examples of obtaining a substantial effect without large capital investments thanks to an improvement of the organization of production and, above all, of the specialization of plants and shops, the regrouping of equipment, and the redistribution of the assortment of the output produced. At the same time, the formation of associations frequently turns into primarily a managerial reorganization of several plants and factories within the framework of the same departmental division. When the bases of the previous organization of production are retained financial resources and managerial functions are centralized, but the problems of specialization and concentration do not find new and more efficient solutions.

An irrational self-provisioning with many types of output is characteristic for many types of associations. The use of production capacities and areas for the production of a wide products list of products of diverse character limits the possibilities for the growth of basic production. There is also a palpable tendency toward the preservation and even expansion of "one's own" auxiliary production.

The productivity of many types of modern equipment exceeds the needs of the two to four plants which are members of an association. In order to ensure the efficient use of such equipment, in a number of cases it would be expedient to form associations as unclosed complexes which include subdivisions that supply their own output from outside. Only this kind of "open" organization of associations will be able to promote the attainment of the national economic optimum.

The transformation of associations into enlarged and basically self-providing units with "their own" natural economy and the emergence of an archipelago of such "islands" has scarcely moved our economy forward along the path of a radical increase in efficiency. The only right path for the development of associations was pointed out in the July (1977) decree of the CC CPSU and USSR Council of Ministers: "To Consistently Carry Out Measures Aimed at the Specialization and Cooperation of Production and the Centralization of Auxiliary and Subsidiary Services and Also of the Managerial Functions of the Enterprises and Organizations Which are Being United."

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*The materials of the Candidate of Juridical Sciences Yu. V. Subodskiy have been used for this question.

The Dual Role of Branch Ministries

On the one hand, a ministry as a state agency has the task of discovering the reserves for development, ensuring their mobilization, and creating optimally intense plans. On the other hand, it is in fact an operationally responsible executive agency and as such sometimes tries to increase demands upon state resources, to understate its possibilities and reserves, and sometimes, to a certain extent, to embellish the indicators which characterize the results of production.

Inadequately fulfilling their role as branch state centers, ministries sometimes assist enterprises and associations in attempts to lower plans and make corrections in them, sometimes after the fact, and so forth. With this kind of situation branch ministries sometimes turn out to a certain extent to be a bulwark for these kinds of tendencies in branch associations and enterprises.

[6 Jun 80 pp 56-81]

[Text] Final Results and Their Preservation, Progress in the Division of Labor and the Problems of the Infrastructure

The party's strategic course aimed at intensification and the orientation of all planning and economic work toward final national economic results are determining the conception of economic growth. It consists in the fact that while a further planned increase in material resources continues, the center of our efforts shifts to the creation of the conditions for the fullest and most efficient use of existing and newly received production resources and for the minimization of all types of losses at all of the stages of both the production and the distribution of the social product.

In this connection, overcoming the historically developed lagging and the accelerated development of the complex of branches of the production infrastructure moves to the forefront.* Here it should only be noted that the present state and equipment of the branches of the infrastructure do not correspond to the increased dimensions of production and to the tasks which face a modern economy; they give rise to substantial losses in the economy. This situation is aggravated by shortcomings in the organizational structure of the complex. Motor vehicle transport is scattered among hundreds of departments and organizations. Industrial railroad transport is even more disunited among individual enterprises. There is no single administration, no extra-departmental coordination, and no optimal combination of the elements of the entire transportation system. It is subordinated to five union and nineteen republic ministries and to many departments.

The means of processing information are deconcentrated, and there are almost no enterprises of the general use information industry. A substantial part of our enormous network of bases and warehouses and also the production of many types of packing is scattered over numerous departments and enterprises. There is no single system for the management of water resources on a regional-branch basis.

The development of the infrastructure requires substantial investment resources. The branches of the infrastructure are marked by a high capital intensiveness. For transportation and communications it is 3.4 times greater than on the average for material production. The 25th CPSU Congress and the November (1979) Plenum of the CC CPSU set the task of overcoming the lagging and accelerating the development of the infrastructure, which will lead to the elimination of substantial national economic losses. As calculations show, the amounts of our present losses and of expenditures for measures to prevent them are entirely commensurate. For this reason, we are faced with the difficult but exceptionally important and urgent task of transforming the losses of resources and of the enormous labor embodied in them into the capital investments which are necessary for the development of the infrastructure.

Still another major macrostructure problem is the acceleration of the development of very capital intensive, specialized, well-equipped, and highly efficient enterprises and branches of the non-production sphere of services which determine the growth of the free time and the improvement of the subjective factor of social production -- man. Man and his work determine to a decisive degree an improvement of the organization of production at all of its levels. The development of this sphere merits special consideration.

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* In one of the forthcoming issues of EKO a special collection of materials will be devoted to the problems of the infrastructure.

Let us now examine the structural reserves for economic growth with respect to the conditions of a number of very important branches of heavy industry.

During the post-war years the output of these branches -- group "A" -- has substantially increased: during the years 1951-1978 by 13.3 times. For a number of divisions (coal, petroleum, steel, rolled goods, cement, and so forth) the USSR has taken first place in the world.

The problem of an adequate structure in these branch complexes to the structure of social needs is becoming especially important.

Machine Building

Machine building is the material basis of the reequipping of all of the branches of the economy and of the realization of all of the possibilities of scientific and technological progress, and society's main force in the struggle against the action of inertial tendencies in the economy. Upon it depends the creation of the material conditions for the fullest and most efficient use of all of our production resources. Machine building is the most important tool possessed by the collective worker in developing his material production forces and accomplishing the basic social and economic tasks of communist construction. An improvement of the structure and organization of this complex is one of the fundamental problems of the further growth of our economy.

An urgent necessity has arisen for lifting USSR machine building to a fundamentally new and higher level. This requires a critical analysis of the state of this complex -- its resources and its final results and possibilities.

An analysis of the structure of machine building will make it possible to disclose the components of the lagging in the complex behind the needs of the economy about which L. I. Brezhnev has spoken and to discover its chief unsolved problems.

Despite its generally recognized major successes and high growth rates, USSR machine building is still not accomplishing a large number of very important tasks. This is connected above all with the fact that, as the data of the USSR Central Statistical Administration on capital investments in equipment show, the real growth rates of the production of the implements of labor are substantially lower than the growth rates of the gross output of all of machine building. These average annual growth rates were, respectively: during 1966-1970, 7.6 and 12.1 percent, 1971-1975 -- 8.5 and 12 percent, 1976-1978 -- 7.9 and 9.6 percent.

Despite the high growth rates of machine building, the growth rates for the production of equipment are lagging substantially behind the growth rates of the output and needs of the consumer branches of this equipment. This applies to electric power engineering, ferrous metallurgy, chemistry and petrochemistry, and machine building itself. As a result, our machine building is frequently not able to fully combine an increase in capacities in the appropriate branches and the necessary rates for the renewal of existing capacities. An enormous mass of manual labor is being preserved (and in absolute numbers is even increasing somewhat). Transportation operations have a central place in this. The production of hoisting and transportation and warehouse equipment, planning and designing work in this field, and the unification and normalization of parts and units will have to be given an immeasurably greater scope, an end will have to be put to its dispersion, and it will have to be concentrated organizationally in special powerful all-union associations. It is also necessary to develop the specialized production of manual mechanized tools. This equipment is extremely necessary for assembly (disassembly) and repair work, that is, for machine building itself.

The equipment pool is being renewed slowly and the decommissioning coefficient is decreasing (from 1973 through 1978 -- from 2.5 to 2.4 percent): this is increasing the amount of capital and current repairs, prolonging idle time by equipment, and reducing the return on capital. In the process of the renewal of the production apparatus equipment is frequently introduced which is new as to its date of production, but in fact traditional and obsolete. Investment resources are expended in inertial directions.

It has to be said that domestic machine building has experience in successfully overcoming inertia. In 1940 electric and thermal traction came to 2.2 percent of freight turnover, in 1950 -- 5.4 percent, and in 1965 it reached 84.5 percent and in 1975, 99.6 percent. Steam traction was completely replaced by the new kind. Overcoming inertia demands purposefulness in the use of new technical solutions. However, this is not always achieved.

It is known, for example, that the USSR has taken the first place in the world for the production of machine tools with digital programmed controls. In 1977 the USSR produced 6,552 of them (in 1978 -- 7,365), while in the United States the figure was 4,221 and in Japan, 5,197. What kind of machine tools are we speaking about? After all, digital programmed controls can also be adapted to traditional machine tools which are by no means are the most progressive. In the United States of the 4,221 machine tools with digital programmed controls which were produced in 1977, 1,226 (or 29 percent) were multi-position processing centers. In them digital programmed controls provides a maximum return and effect.

In Japan of 5,197 machine tools produced with digital programmed controls, 1,086 (or 21 percent) were processing centers. In the USSR this proportion in 1977 was less than 5 percent. It is obvious that this is not the most efficient use of new progressive equipment!

The production of the implements of labor has the task of ensuring the consistent replacement of the traditional means of production with genuinely new technical systems. For this reason, there is the task of not making old equipment over again! Of making replacement a genuine renewal of equipment! A strict compliance with these principles by ministries and planning agencies will be achieved if they shift, in particular, to the planning and designing of the equipping of large structural complexes -- the production of steel and rolled goods, the processing of timber, and so forth. We are speaking about providing not individual equipment, but systems of machines which correspond to the tasks of forming a progressive structure in the production complex as a whole. There are also similar tasks in the field of equipping the non-production sphere.

Equipment exports are insufficient and equipment imports are relatively great. As of now domestic machine building is still not fully meeting the needs of a number of branches not only for individual unique types of equipment, but also for certain types of ordinary series produced equipment. As a result, imports of machinery, equipment, and transportation equipment into the USSR exceeds exports. During the Eighth Five-Year Plan the negative balance increased by 34 percent, and during the Ninth -- by 3.6 times; during three years of the Tenth Five-Year Plan it exceeded the total negative balance of the entire Ninth Five-Year Plan by almost 1.6 times. According to the existing data, far from all of the types of output of a number of our machine building ministries correspond to the level of the best world models. The tasks of the economic integration of the CEMA member countries and an increase in efficiency in our domestic economy in production and technical cooperation with western companies require a substantial rise in the technical level of the output of our machine building.

The production of equipment which ensures a high quality for the output of the branches which use this equipment is insufficient in the structure of the equipment being produced. This applies above all to the technical level of many instruments, to the sanitary-hygienic and ergonomical characteristics of many types of production and transportation equipment, and to the degree of their precision and reliability.

As a rule, the basic branches of industry and machine building itself are outfitted with equipment which ensures "ordinary quality." For export, in essence, equipment of normal quality is produced; however, this is frequently achieved only with regard to output and requires unjustifiably high additional labor expenditures by the most qualified workers, since an improvement of the technical parameters is usually achieved manually due to the lack of special rigging.

In order to improve the quality of rolled metal goods, it is necessary to reconstruct rolling mills and create a large set of metallurgical equipment. The quality of fabrics is improved thanks to the development of finishing productions, for woodworking drying and impregnation productions are needed, and so forth. It is for this reason that it is so important to have the development and persistent realization of a special program for the production of "equipment for quality" and for the planned equipping of processes for improving output quality in the leading branches which produce the means of production and consumer articles.

The relatively small proportion of the specialized production of tools and technological rigging is an important shortcoming in the structure of our machine building. Despite numerous decisions, machine building continues not to provide most of the types of the equipment it produces with sets of replacement and repair parts and units, and also is almost not developing the specialized production of units for the modernization of equipment. As a result, consumer branches organize the production of spare parts and units for repairs and modernization in an amateurish and, as a rule, inefficient way.

Machine building has an exceptionally large role in the investment process, but with the present structure and organization of our machine building production it is reduced, as a rule, to the production and shipment of equipment (sometimes even in disassembled form). The urgent necessity has arrived for introducing the practice of guaranteed servicing and repairs for all types of production equipment and for the gradual formation of a machine servicing service in all of the branches of machine building. With this the producer plant, in selling new equipment, has to ensure its installation, adjustment, and "key-ready" delivery at the consumer enterprise and to assist with uninterrupted equipment operations by means of providing full supplies of replacement and repair parts for the units for the entire service life of the equipment and, where it is necessary, by providing programs, special tools and rigging, and also guaranteed repairs and servicing.

A large amount of work will have to be done in the field of improving the structure of the production apparatus of machine building. While there have been a number of positive changes -- an increase in the proportion of forging and pressing machines, polishing machine tools, and progressive aggregate machine tools and a certain rise in the level of automation -- the present-day equipment pool in USSR machine building has a number of shortcomings. This can be seen, in particular, from comparing it with the structure of the equipment pools in American machine building.

There are 22.9 forging and pressing machines per 100 metal-cutting machine tools in USSR machine building and 32.4 in the United States, and there are 20.3 welding machines per 100 in the USSR and 22.6 in the United States. This is determined by the smaller proportion of rolled sheet goods in the USSR both in the structural elements of machines and in the assortment of produced rolled goods which is offered. The larger proportion of cutting technology, the predominance of shaped rolled goods, a smaller proportion of sheet (especially thin sheet), and an insufficient number of cutting off and threading machine tools which are cheaper but entirely effective for the widespread simple operations of cutting billets and threads lead to a much larger proportion of automatic turret lathes in the USSR machine tool pool. A combination of modern, highly complex equipment with highly simple and cheap equipment for the performance of simple operations -- this principle of economic flexibility merits very careful attention.

The state of machinery services, the use of equipment, and the heavy workload on machine building as a result of the need to maintain a machinery pool of the necessary size are to a considerable extent connected with the conditions of the operation and storage of equipment. For example, the lack of normal conditions for storing equipment on the kolkhozes and sovkhozes, shortcomings in the quality and reliability of the equipment itself, non-compliance with the norms of operations, and in individual cases, the low qualifications of the mechanization experts -- all of this speeds up the breakdown of equipment. As a result, the enormous supplies of agricultural equipment hardly cover the amounts at which it is written off. As can be seen from the publications of the USSR Central Statistical Administration, during the years 1971-1978 agriculture was supplied with 2,771,000 tractors with a total capacity of 203 million horsepower; but the growth in the tractor pool came to 538,000 units with a total capacity of 67 million horsepower. In other words, more than 80 percent of the numbers of tractors supplied and 67 percent of the capacity only compensated for decommissioning during this period. For grain combines the picture is even more striking: 758,000 units were supplied, but the increase came to 77,000 units; 90 percent of the supplies went to make up for decommissioning. Trucks were supplied in the amount of 1,594,000 units, but the increase in the truck pool was equal to 386,000 units. During those same years 303,000 excavators, 102,000 scrapers, and 369,000 bulldozers were produced. However, the increase in the construction machinery pool came to 54,000 excavators, 14,000 scrapers, and 59,500 bulldozers.

It is obvious that the reequipping of the country's production apparatus presupposes an appropriate solution for the problems of equipment storage and operation. No high rates of equipment production will be able to compensate for such large-scale premature decommissionings.

As the result of the situation which has developed, domestic machine building and also machinery servicing are absorbing very large amounts of labor and material resources. In 1978 around 40 percent of our workers and more than half of our engineering and technical workers and employees were employed in machine building and metal processing. During the years 1966-1977 60 percent of the entire increase in the number of industrial workers was drawn into machine building. Several million people are employed in the machinery repair services of the machine building branches.

The metal processing equipment pool in the USSR is quantitatively greater than the total pool of this equipment in the United States, Japan, and FRG combined. This is simultaneously a testimony to the enormous work which has been done by our machine building and to the presence of very large unutilized reserves. As a result of the predominance of cutting technology, the expenditure of metal for an equal amount of machine building output is approximately 25 percent greater with us than with the United States.

It is obvious that it is essential to have an immediate development and consistent realization of an overall program for the development and improvement of the structure and organization of machine building and to bring it into correspondence with the possibilities of modern scientific and technological revolution and the growing needs of communist construction. It has become necessary to have a definite change in the developed model of this key complex.

At a New and Higher Stage -- A New and Improved Model of the Development of Machine Building

The model is determined by the complex of tasks which machine building has to accomplish in the forseeable future and by the resources which society will be able to allocate for its development during this period. In our opinion, the following tasks may be named as the chief ones in machine building:

> the reequipping on a modern level of all of the branches of the economy and of the domestic sphere, with a fundamental improvement of the quality of the means of labor;
>
> the overall mechanization and planned automation of production and a shift to a systematic relative and absolute decrease in manual labor and to the complete elimination of physically hard and harmful labor;

the creation of possibilities for extensive exports of modern equipment both to the countries of the socialist commonwealth and to the capitalist and developing countries;

the ensuring of high labor productivity growth rates in the economy, a radical and universal improvement of the ergonomic characteristics of the production apparatus, a systematic change in the content and character of labor, and bringing labor into correspondence with the rising level and the needs of the workers of a developed socialist society;

the consistent formation of a machine building structure which ensures great economicalness both for the production of machines and for the entire sphere of machinery reservicing;

the creation of a comprehensively developed system of guaranteed servicing and machinery services;

a systematic decrease in the cost of the means of labor per unit of useful effect.

As it seems to us, the model of machine building has to have the following aspects:

a structure for the final output of the complex -- the basic types and classes of equipment which has to be produced and its branch and functional purposes;

a structure for the technology of machine building production and a structure for the structural materials used by machine building connected with it;

a structure for the production apparatus of machine building;

an organizational structure for the complex, the character, types, and dimensions of the specialization and cooperation of production and, correspondingly, the character of production concentration and the role of large, medium, and small enterprises.

Here we will attempt to outline only the basic directions of each aspect.

A. The type structure of the machinery and equipment systems.

1. Technological and a complete set of auxiliary (and, above all, control, transportation, packing, warehouse, and so forth) equipment for all of the branches of material production. Here, the production of the following has to become the norm which should be reflected in standards:

basic equipment along with the necessary overall sets of finishing equipment which ensure high quality for the output produced;

a set of replacement and repair parts and units in accordance with scientifically substantiated replacement coefficients which are sufficient for the entire period of the operation of any given equipment;

sets of technological rigging (and, where necessary, of programs) and of special tools which ensure the effective operation of equipment;

periodically renewed sets of units for the modernization of equipment.

The type-size structure of the machines which are produced and its differentiation has to correspond to the real needs of the branches which use this equipment. This applies to both basic and auxiliary (especially, transportation and hoisting in relation to load capacity) equipment. In the same measure, depending upon the character of the operations performed, complex and the simplest types of equipment have to be combined.

2. Scientific and experimental equipment and instruments both of mass and of series use, and also the functional components of this equipment and sufficiently flexible capacities for the production of unique equipment for the scientific research.

3. A wide spectrum of machinery and equipment for all the branches of the service sphere.

4. A wide and systematically expanding spectrum of personal household equipment.

In developing these machinery systems it is necessary to take full account of the aspects of social effectiveness: the production of equipment for environmental protection measures and, most important, of equipment which does not pollute the environment, which is safe and convenient for people, and which eliminates heavy and low-skill, unskilled, and monotonous labor.

B. The technology of machine building will have to be systematically and consistently shifted away from the predominance of metal, capital, and labor intensive methods of cutting to the methods of plastic deformation and welding and of the primary finishing of precision billets.

The simultaneous accomplishment of the following tasks is the chief precondition for a shift to this structure:

A consistent reorganization of the structure of the rolling of ferrous metals toward an increase in the proportion of sheet and, within its composition, of thin and cold rolled sheet, the introduction of billet rolling methods which require a minimum subsequent machinery processing, and the corresponding reorientation of metallurgical machine building.

An outstripping development for the production of progressive forging and pressing and welding equipment and of the necessary rigging and a corresponding reorientation of machine tool building.

A wide reorientation of the structural elements of the equipment produced from castings and shaped rolled goods to rolled goods with a predominance of sheet, especially thin and cold-rolled sheet.

An increase in the proportion of structural plastics and, especially, those suitable for use as support structural elements.

C. The production apparatus of machine building has to materialize the basic achievements of the scientific and technological revolution -- automation and its flexible forms (equipment with digital programmed controls, electrotechnological methods of processing, laser technological and control equipment, processing centers with digital programmed controls and so forth); and it has to promote a progressive orientation for technology and a high level of economy in machine building production.

Along with an outstripping growth for forging and pressing and welding equipment, the proportion of finishing equipment for the performance of finishing operations will increase.

The development and improvement of machine building presupposes the substantial increase in the capacities and a rise in the technological level and progressiveness of the machine tool building and instrument making industry whose dimensions (including the production of technological rigging) have to be sharply increased. This also makes it necessary for there to be a substantial turn toward the needs of the machine tool building of the electrical engineering industry (especially in the production of high-moment engines, drives, instrument making, and electronics).

It is extremely important for unification and normalization to become an inseparable component part of the process of standardization and an object of material stimulation and rigid state control.

D. A component part of a progressive organizational structure for machine building is a network of machine building enterprises which are specialized in the non-mass and even single-unit production of non-standardized special equipment and rigging to meet the orders of machine building enterprises and scientific research institutes and, later, the orders of machine building enterprises which produce mass and large-series output, with the establishment of judicious prices and fees for this output and services and also of legal guarantees for punctual execution.

An increase in production efficiency requires the introduction of a universal practice of guaranteed servicing and repairs for all types of production equipment and of the constant formation of a machinery servicing service in all of the branches of machine building.

Of course, the question of the resources necessary for the realization of a program for the development and improvement of machine building arises. It seems to us that we can talk at least about five basic sources.

The first -- an increase in machine building's share of industrial investments with a very well-conceived strategic direction for them.

The second -- the gradual elimination of the very substantial losses which are incurred by the economy as the result of an insufficient development of the various branches of machine building. Thus, the wage fund of manual workers employed solely in industry, construction, and agriculture comes to around 66 billion rubles a year; the enormous losses of finished output will be reduced as a result of the production an adequate set of equipment for transportation, packing, and warehouse operation and so forth.

The third source consists of the enormous material and labor resources of the "machine building sector" and of that gigantic natural economy which exists and is developing in all of the non-machine building branches. Resources which provide an extremely small return will gradually be freed, and under the conditions of specialization the return from them will sharply increase.

The fourth source is the elimination of shortcomings in the use of the existing capacities of machine building (an increase in the shift coefficient of equipment, the elimination of losses of time by workers, the elimination of high levels of metal waste, and so forth).

Finally, the fifth source consists of the effect which will occur as the result of an improvement of the entire structure of machine building production (progress in the equipment pool, technology, the materials which are used, and progress in the organizational structure).

Consequently, the above-described program of reorganization is not only urgently necessary, but is also possible.

It would probably be advisable to begin this reorganization with the approval in directing agencies of the basic principles of the development and organization of machine building so as not to put all organizational principles in the plans for major new enterprises and to increase in a planned manner capacity reserves for specialized production, especially in enterprises with a functional specialization, and with a gradual dying away of natural economy.

It would seem useful to create supra-ministerial state union-republic agencies for the administration of groups of machine building branches. These agencies would carry out the direction of the development and realization of a general machine building technical policy, of the development of interbranch productions with technological and functional specialization, and of the coordination of work within large territorial machine building centers. It would be useful to create at these agencies large general machine building scientific research institutes which would work out the long-term economic and organizational-production problems of the development of machine building.

Ferrous Metals

The USSR has taken first place in the world for the smelting of iron and steel and for the production of finished rolled goods. The machine building output of the USSR has reached 75 to 80 percent of the United States' level and has an approximately equal amount of construction. Nevertheless, ferrous metals continue to be a scarce structural material in our country, and their quantity, quality, and material-physical structure do not meet the needs of the branches. The specific expenditures of ferrous metals for the production of machine building output substantially exceed the normatives which are based on already mastered achievements of scientific and technological progress, and this is connected precisely with the assortment and quality of rolled metal goods.

The growth of the production of ferrous metals is occurring in amounts which exceed the growth in the most developed capitalist countries. However, the structure of the increase in our capacities has a basically inertial character.

In 1960 the USSR, United States, and Japan were approximately at the same level in the smelting of steel by the oxygen converter and electrosmelting methods. During the years 1961-1977 the USSR overtook the United States (by 3.4 times) and Japan with regard to the growth of steel smelting. However, during this time the United States removed 90 percent of its traditional (open-hearth) steel smelting units from production, while Japan removed all of them. As the result of this, in Japan 100 percent and in the United States 81 percent of the steel is smelted by the oxygen converter and electro-smelting methods. Soviet metallurgists continued during these years to increase steel smelting by the traditional methods. Oxygen converter and electro-steel comprised only 56 percent of the increase in steel smelting. We obtained almost one-half of the steel increase by the old, less economical, and qualitatively inferior methods. In 1977 the proportion of steel smelted by the two progressive methods came to only 37 percent in the USSR. At the same time, in the FRG, England, France, and Italy their proportion had reached 90 percent.

This process cannot be explained by a shortage in investment resources, since the USSR increased its capacities in greater absolute amounts than the United States or Japan, and more than the FRG, France, England, and Italy combined. It is obvious that the situation consists in the unsurmounted power of inertia with which, apparently, our planning agencies were not able to cope. The economic unjustifiability of preserving an open-hearth production of large dimensions is especially obvious in the light of the fact that, as the experts point out, the fixed capital which is concentrated in the open-hearth shops of metallurgical (and, especially, machine building) plants have been, with few exceptions, basically depreciated and their further operation is connected with substantial losses of social labor compared with the modern methods of producing steel. The losses connected with the operation of obsolete open-hearth furnaces reimburse themselves, while the capital outlays for the construction of economical converters and electro-furnaces, it turns out, are "impossible" to find.

Similar tendencies are also occurring in the structure of finished rolled goods. Our ferrous metallurgy has increased the production of shaped and sheet rolled goods in equal amounts; moreover, only 37 percent of the increase in sheet rolled goods has been made up of light-gauge sheet. In the United States this proportion is 82 percent and in Japan -- 70 percent. The entire increase in sheet goods in the United States and 74 percent of the increase in Japan has been made up of light-gauge sheet. The inertia which is fixed in the structure of rolled goods is also felt outside of the limits of metallurgy. It also has its effect upon supplying machine building with forging and pressing, stamping, and welding equipment. If we were to suddenly to begin to produce, for example, twice as much sheet and four times as much light-gauge sheet, there would be a "sales crisis" in metallurgy: our machine builders would not be able to use such a quantity of sheet, for a substantial part of their structures are oriented toward the predominance of shaped rolled goods. With the existing system of planning and taking account of the output of machine building (especially heavy machine building) in tons a progressive invasion of sheet would by no means give happiness to many of the economic leaders of machine building.

Machine building is still not providing the necessary amounts of many types of equipment which are necessary for ferrous metallurgy, particularly equipment necessary for ensuring a high quality level for rolled goods upon whose operation the fate of machine building itself depends. For example, from 1960 through 1977 the production of sinter and pellets in the USSR increased from 65 to 194 million tons. However, the ratio in their production in the USSR in 1977 was 1:.23 while in the United States in 1976 it was 1:1.89. In world production pellets are produced chiefly on conveyor machines and combined units of the "lattice-tube heater" type, while in the USSR such equipment has not yet been created.

All of the modern metallurgical plants in the United States and Japan have ore preparation complexes which include accumulation and blending warehouses. We have no modern domestic equipment for the creation of blending warehouses.

The method of continuous steel casting was developed for the first time in the USSR. However, in 1975 the total capacity of the continuous steel casting machines in the world was 130 million tons, while in the USSR it was 11 million tons. The production and equipment for improving the quality of rolled goods and for its thermal improvement and thermal machining has been insufficiently developed.

As is noted by specialists, an improvement of the quality and structure of metal as a whole requires approximately half the expenditures that are needed to increase the production of ordinary quality metal with adequate final results. This means that the capital investments to develop a modern rolled goods prodution with a subsequent strengthening of the rolled goods is twice as efficient as expenditures for the creation of new capacities for the entire metallurgical cycle.

The Timber and Wood-Working Complex

The USSR occupies first place in the world for the amount of timber it procures and for the production of sawn materials. In 1975 2.8 million people were working in the entire complex: this is 8.2 percent of the number of people employed in the USSR industry -- more than any other country. However, the return on a unit of procured timber in the USSR is approximately 2.6 times less than in the United States.

Due to lagging in increasing production capacities, the production of plywood, wood fiber sheets, wood mass, cellulose, paper, and cardboard is increasing in the Soviet Union in smaller absolute amounts than in the

United States, Japan, and Canada. As a result, the USSR's per capita consumption of paper stands in next to last place among the CEMA countries and is behind that of all of the developed capitalist countries. The shortage of cardboard packing leads to an over expenditure of sawn materials, and the chronic shortage of paper is holding back the development of the printing industry.

The waste from timber procurements calculated for timber allocations in the European part of the USSR comes to 105 million cubic meters. Of this amount, around 26 million cubic meters are regarded as being really accessible. The milling and woodworking industry produces around 75 million cubic meters of waste. Of this amount, 17 million cubic meters are sent for reprocessing, 20 million cubic meters are expended in the form of fuel, while the remaining 38 million cubic meters are burnt up in fires, go to dumps, and so forth. The two above groups of waste alone comprise almost one-half of our procurements, and this means one-half of the expenditures of labor and fixed capital for timber procurements.

The orientation of the basic capacities of the cellulose and paper industry toward sulphite technology which is connected with the use of coniferous wood is a major source of losses. Meanwhile, our timber procurement industry is reaching into ever more remote and inaccessible areas for coniferous wood, expending at the same time enormous resources.

The increase in capacities in the timber complex is taking place primarily not in the cellulose and paper industry -- branches which make intensive use of timber resources, -- but in timber procurement and sawing. The introduction of sulphate technology which makes it possible to use deciduous wood is lagging in an intolerable way. The elimination of the sharp lagging of our cellulose and paper machine building would lead to a decrease in the imports of very expensive equipment.

It is clear that in their aggregate all of the losses which are being engendered by the present structure of the timber complex are quite comparable to and most probably exceed the amount of investments needed for a fundamental improvement of the structure of this complex and for providing the country with all of the products which it is now unable to produce.

The Chemical Complex

The Soviet Union's successes in the creation and development of a chemical industry are well known. The USSR occupies first place in the world for the production of mineral fertilizers and is rapidly increasing the production of other types of chemical output. At the same time, petrochemistry, the production of polymers, and the chemistry of fine organic synthesis are developing slowly and lagging substantially. The hydrocarbon products of petro-gas origin are for petrochemistry not only raw materials, but also technological and energy fuel. It is expected that in the coming years around one-fourth of our refined petroleum will be consumed in the petrochemical industry. For this reason it is so important to have a fundamental improvement of the technological structure of this sub-branch of the chemical complex, orienting ourselves toward a decrease in the consumption of raw materials and energy per unit of output.

In 1950 the production of synthetic resins and plastic in the USSR was 1.3 times greater than the total output of France and Japan and came to 77 percent of the output of the FRG. In 1977 the USSR produced 2.3 times less resins and plastic than the FRG, 2.1 times less than Japan, and the same amount as France. In 27 years the USSR increased its production by 2.7 million tons, the United States by 13.8 million, the FRG by 6.2 million, Japan by 5.9 million, and Italy by 2.8 million tons. This lagging has to be made up for (sometimes to the detriment of the quality of final output) by increased expenditures of ferrous and non-ferrous metals, metal piping, labor intensive construction materials, sawn materials for the production of packing, and more labor intensive natural fibers for clothing and technical needs.

The production capacities of our polymer industry are increasing more slowly than in a number of other countries. During the years 1951-1960 Italy and Japan increased their plastic production capacities by 1.9-2.4 times more than the USSR, the FRG by 3.9 times more, and the United States by 7.9 times more. During the years 1961-1977 the FRG and Japan increased them by 2.1-2.2 times than the USSR and the United States by 4.8 times more. During the 1950s the USSR achieved a greater increase in the production of chemical fibers than any country except Japan. During the years 1961-1977 there was a greater increase in the production of chemical fibers than in the USSR in Japan (1.4 times) and the United States (3.2 times). Of course, it is not only the chemical industry that is responsible for these "slow speeds," but also chemical machine building and the construction industry.

With the exception of surface-active agents, the products of fine organic synthesis are produced in relatively small quantities -- from 20,000-30,000 to 200,000-500,000 tons a year -- but in an assortment of hundreds of thousands of complex organic compounds. Used in very small quantities, these products in the final analysis determine the quality, properties, and technical and economic characteristics of extremely heavy organic and inorganic materials and are for this reason important factors of technological progress for a number of leading branches of the economy. The economy's need for this output is being met at the level of 15-25 percent. Yet, the annual economic effect from the use of these products is so great that with its forecasted level of production in 1990 it will come to more than 11 million rubles for only certain groups of fine organic synthesis products. It is obvious that development of this industry has to receive a substantial priority.

During the years 1961-1978 capital investments in industry, agriculture, construction, and transportation and communications came to 993 billion rubles. Two billion tons of steel and 1.4 billion tons of rolled ferrous metals were consumed. The number of people employed in these branches increased by 22.6 million, while there was a certain decrease employed in agriculture. Impressive amounts! We do not have the possiblity of performing an alternative calculation and determining what kinds of structural changes could have been achieved during this period with other variants of the use of the same amount of resources. But the data cited above testifies to the fact that in some branches more progressive structural solutions could have been realized.

While there were very substantial successes in developing our economy and increasing the country's economic and scientific and technical potential during the period being considered, essential changes in the organizational structure of the basic branches of material production were not achieved. The process of production specialization, especially in machine building, made extremely little progress. In machine building capital investments and other resources were assigned in substantial amounts for the creation of "their own" shops and productions in overall all-purpose enterprises and branches. Instead of this, they could have been expended on the development of interbranch productions and enterprises and branches with parts, technological and, especially, functional specializations.

Such are the major organizational and structural reserves whose incomplete utilization has promoted a definite gap between the dynamics and amounts of resources, on the one hand, and the rates and efficiency of economic growth, on the other.

On Certain Directions for Realizing Organizational-Structural Reserves

The decree of the CC CPSU and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and the Quality of Work" maps out an overall system of measures whose fulfillment will improve the organization and structure of social production. On the basis of this planning and scientific agencies will have to work out and realize a more concrete program for the use of the organizational and structural reserves for economic growth. In our opinion, the basic features of this program could consist of the following.

The development and consistent realization in our economic plans of a progressive technical and structural policy is directed toward the accomplishment of the basic social and economic tasks of communist construction, toward the constant overcoming of inertial tendencies in the development of equipment and production, and toward the prevention of production of equipment, technology, and articles of labor which are "new" according to their production date, but old in their technical characteristics.

Technical and structural solutions, like long- and medium-term investment programs, are oriented not toward individual (no matter how progressive) pieces of equipment, but toward progressive structural systems which give overall coverage to productions and branches and which take account of the world level of scientific and technical solutions.

Variants of the optimal use of the most important resources of social production (petroleum, metal, timber, and so forth) and the organizational structures which correspond to this are supplemented by models of the satisfaction of the most important complexes of needs and by full-scale structures of the full expenditures necessary for this. A consistent realization of optimal variants serves as one of the most important orientation points in preparing medium- and long-term plans.

Investment decisions take comprehensive account of the amounts of direct and indirect national economic losses which are connected with developed practice in every given branch. Gosplan USSR and the USSR Central Statistical Administration with the participation of the USSR Academy of Sciences prepare systematically and as rapidly as possible a full-scale characterization of the amounts and structure of the losses of live and embodied labor in the economy at all of the stages of the reproduction of the social product.

The structure of losses shows the stages and processes of production, the branches of the economy, the stages of reproduction, and the regions in which these losses take place and provides a material-physical characterization of the content of the losses and a classification of the reasons for their occurrence. A similar analysis of the structure of manual labor in the economy by branches, functions, and regions is also prepared. The results of the analysis are discussed in the highest economic agencies and considered when production and investment programs are worked out.

High rates of equipping and developing machine building are maintained for the forseeable future; in addition, the production of the implements of labor increases by no less than 8 to 9 percent per year. For the long term a scientifically substantiated overall program is worked out for the development of machine building and for turning it into a powerful and highly efficient, mobile and flexible complex which is capable of accomplishing systematically growing tasks. The program is approved by directive agencies.

The most important criterion of the expediency of any measures to realize organizational and structural reserves is a guarantee of uninterrupted work by all of the elements of social production. However, to postpone making decisions means to accept a further decrease in the efficiency of social production and to increasingly limit the possibilities for the fulfillment of the basic program tasks of our development.

The basic premise for the active use of the organizational reserves of production is the balancing of the plans for the development of the economy and of all of its branches and a systematic increase in state reserves. The achievement of this balance is determined, in particular, by the realization of Lenin's statements regarding the provision of legal rights to Gosplan USSR. The increasing reserve funds of the USSR Council of Ministers could serve as an important source of resources for carrying out the tasks which occur after the approval of the national economic plan.

The first and most important direction in the use of the organizational resources of economic growth and the point of departure for the adoption of planning and designing decisions is, apparently, steady progress in the division of labor, the realization of Lenin's instructions regarding the socialization of production in fact, and a sharp turn in the direction of the specialization and concentration of production in all branches. This process also requires the allocation of definite resources. However, what is involved is the concentration in a defined manner of already existing resources and their regrouping for the specialized production of a given output or of given production services.

A clear economic evaluation of the time factor in all of the work of production enterprises and associations depends upon the actions of the economic mechanism. Under the conditions of modern highly specialized production with its numerous intra- and inter-branch relations the strictest and continuous compliance with the time parameters of the work of each element becomes a categorical necessity.

Output which has been delivered to related enterprises and other consumers in violation of an established schedule cannot be calculated in the amount of sales and considered in the awarding of bonuses. In the amount of the sanctions for delivery violations account should be taken of the cost not only of the deliveries, but also of the output which has been held up in production on account of the schedule violations, and that part of profits which assigned for the formation of the material stimulation funds should be reduced.

The development of natural economy is blocked by the kind of procedure for planning the work of machine building enterprises and ministries in which the basic part of the plan includes, in addition to the production of basic equipment, the production of sets of replacement and repair parts and units for all types of equipment in amounts which fully provide for the entire operations period of this equipment.

Specialization and cooperation will be deepened if the planning of the work of all of the branches which produce various types of equipment and production services makes provision for the possibility and obligation to perform single, one-time, non-standardized jobs to meet the orders of enterprises and scientific research institutes from different branches, with the establishment of reasonable prices and fees for this output and services and also of legal guarantees of their prerformance on schedule.

The preservation of "natural economy" hinders the rational use of all-purpose equipment and of highly qualified cadres. As the material base of the specialized production of spare parts is strengthened and the practice of individual orders is expanded it will be possible to establish such normatives of a fee for resources as would make inefficient self-service difficult.

The strictest state and social control over the totaling up of the results of economic work has the task of excluding all artificial overstatements of economic results. The falsification of reporting data is a serious party and state misdeed. It also has to be considered that overstatements are stimulated by the multiplicity of bonus conditions. A new and improved system of salaries for engineering and technical personnel and of time rates for skilled workers could create a stronger interest in workers in holding their jobs.

The basic effect from the creation of production associations is in the strengthening of production specialization and concentration. The realization of the potential advantages here will be acclerated if the industrial ministries work out general plans (overall special-purpose programs) for the development of production specialization which are designed for the 11th and 12th Five-Year Plans and which stipulate measures for an improvement of the organization of production in operating associations.

It would hardly be possible now to solve the problem of changing the character of a ministry's direct responsibility for the fulfillment of the quantitative and qualitative indicators of a branch, although it is the present form of this responsibility which stimulates a departmental attitude toward the plan and toward resources and results. However, it is entirely possible to concentrate their functions on the working out an adoption of scientifically substantiated, optimal decisions regarding the strategic issues of the work of a branch, on studying the needs of the consumers of their output, on determining the basic directions of technical policy and of measures to achieve high qualitative results for branch production, and on ensuring balance for the assignments of state plans. Most of the operational questions which are now being decided by ministries can be taken upon themselves by associations.

It would be useful in the struggle against a departmental approach to introduce a wide range of branch normatives which express the final results of the work of a branch (the degree to which social needs for the branch's output are satisfied, the economic efficiency of the use of output by consumers, and so forth), and also normatives which express requirements regarding the efficient use of resources.

The solution of the problem of a rational combination of branch and territorial development clearly must not undermine the branch line of management which is an indispensible condition for technological progress. It would probably be more correct to speak of the coordination and more purposeful division and cooperation of homogeneous functions within a region. The development of the following may be included here:

interbranch productions of machine building and of the construction industry;

the production of certain types of construction material;

agro-service branches -- the preparation of fertilizers for application, feed preparation, and so forth;

integrated general use transportation, warehouse, and dispatching system;

repair branches for various types of equipment;

the overall organization of work for the utilization of waste and secondary material resources, and so forth.

Both the special elements of all-union agencies and the local Soviets of People's Deputies could probably act as the organizers of this kind of work. The introduction of regional taxes on individual types of economic work and an increase in allotments from the budget would make it possible for the local agencies of authority to materially stimulate a rationalization of the regional aspects of the structure of social production. In zones of major territorial-production complexes the performance of the above functions could be directed by special authorized agencies for special-purpose program management which have been given the rights to dispose of resources.

The measures on improving the system of economic management which are stipulated in the 12 July 1979 Decree of the CC CPSU and USSR Council of Ministers are creating new and more favorable conditions for the realization of the organizational and structural reserves of economic growth. The fulfillment of these measures and an improvement of the organization and structure of industrial production will be of great importance for the further progress of our economy, for an acceleration of its development rates, and for the successful accomplishment of the tasks of communist construction.

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INSTRUCTIONS FOR SHIFTING EXPERIMENTAL ENTERPRISES TO A NEW SYSTEM

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[Article: "The Transfer of Experimental Enterprises to a New System"]

[Text] Model Methodological Instructions on Transferring Experimental Enterprises to the New System of Planning and Economic Stimulation*

Approved by the Interdepartmental Commission at Gosplan USSR
on 28 March 1980

The present Model Methodological Instructions have been developed in accordance with the 12 July 1979 Decree No. 695 of the CC CPSU and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and the Quality of Work."

The transfer of experimental enterprises to the new system of planning and economic stimulation is carried out by the ministry (department) for the purpose of accelerating the creation, mastery, and introduction of new equipment into the economy and of increasing the efficiency of experimental work.

The present methodological instructions apply to experimental enterprises which enjoy the rights of a legal entity and which have been subordinated to scientific research, planning and designing, and technological organizations and to the associations and subdivisions of ministries and departments and whose proportion of experimental work comprises no less than 50 percent of the total amount of output production.

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* The present Model Methodological Instructions apply to experimental enterprises previously transferred to the new conditions of planning and economic stimulation.

Experimental work includes work which is performed by experimental enterprises on the basis of the schedule orders (contracts) of superior organizations for the punctual and high quality production and testing of experimental (experimental industrial) models of new equipment, for the development of new (improved) technical processes, for the production of models, stands, installations, non-standardized equipment, and others for the purpose of bringing about the accelerated creation of new equipment and technological processes, and also the production, in necessary instances, of experimental (experimental industrial) groups of new types of output based on an experimental model and performed a single time.

The transfer of experimental enterprises to the new system of planning and economic stimulation has to be preceeded by preparatory work aimed at the inclusion of experimental production into the single cycle of "research-mastery-introduction into production" of new development work; an improvement of intra-plant planning; a technical improvement of production; the introduction of scientific labor organization; a strengthening of the economic methods of managing production by means of an improvement and deepening of intra-plant and intra-shop cost accounting; an analysis of the state of the circulating capital of enterprises and putting them into correspondence with the established normatives; the development of effective systems of material incentives for the workers of the enterprises; a fuller disclosure and mobilization of internal reserves, an increase in production efficiency, and an improvement of the economic knowledge of all enterprise workers.

The Planning of Basic Indicators

1. For experimental enterprises the following indicators are approved by a superior organization in the five-year plans (with an annual distribution):

   an increase in output production (normative net and commodity output in comparable prices and standard cost of processing);

   the amount of experimental work in cost terms;

   the ceiling on the number of workers and employees;

   the total wage fund;

   the total incentive funds;

   total profits;

   payments to the state budget and appropriations from the state budget;

the commissioning of fixed capital, production capacities, and facilities, including an increase in capacities through reequipping and reconstruction;

the amount of supplies of the basic types of material and technical resources needed for the fulfillment of the five-year plan.

2. The following indicators which concretize and in individual cases refine the assignments established for the corresponding year of the five-year plan are approved in the annual plans of experimental enterprises:

experimental work in physical terms;

the amount of sold output from experimental work;

the ceiling on the number of workers and employees;

the total wage fund;

the incentive funds totals;

total profits;

payments to the state budget and appropriations from the state budget;

the commissioning of fixed capital, production capacities, and facilities, including an increase in capacities through reequipping and reconstruction;

the amount of supplies of material and technical resources needed for the fulfillment of the annual plan (in a wider products list than provided for in the five-year plan).

The total amount of sold output in the enterprise as a whole, commodity output, normative net output, and other indicators are estimated ones, and are worked out and established by the enterprises themselves and used by planning and economic agencies in making up plans for the ministry as a whole.

3. The evaluation of the results of the economic work of experimental enterprises is performed on the basis of the results of the fulfillment of the plan for experimental work in physical terms and of the amount of sold output of experimental work in accordance with schedule orders and contracts.

Experimental models are included in the amount of sold output of experimental work after payment by the client and the receipt of the money in the current account of the producer enterprise.

The Transfer of Experimental Enterprises to the New System of Planning and Economic Stimulation

4. The transfer of experimental enterprises to the new system of planning and economic stimulation is carried out by the ministry (department) in accordance with the Methodological Instructions on transferring enterprises, associations, and branches of industry to the new system of planning and economic stimulation which was approved on 2 December 1966 by the Interdepartmental Commission at Gosplan USSR and with the subsequent changes and amendments, and also with regard to the refinements which follow from the present Model Methodological Instructions.

5. The ministries (departments) establish for the experimental enterprises which have been transferred to the new operating conditions planned amounts of the economic stimulation funds for the remaining years of the five-year plan with an annual distribution.

6. Monies which are stipulated in the five-year plan (with an annual distribution) are assigned for the formation of the material incentives fund of the experimental enterprises:

> from the wage fund for bonuses for executive, engineering and technical workers, employees, and other categories of workers;
>
> from the enterprise fund for bonuses and other monetary payments to enterprise workers.

7. Monies which are stipulated in the plan for the performance of social and cultural measures and the construction of cultural and domestic premises and housing space from the enterprise fund are assigned for the formation of the social and cultural measures and housing construction fund.

8. In the event that there are shortages of the monies mentioned in points 6 and 7 of the present Model Methodological Instructions, when experimental enterprises are transferred the incentives funds may be formed on the basis of sources which are defined by the ministry, without changes in the relationships with the budget.

The amount of the material incentives fund for the last year of the five-year plan must not exceed here the amount which has been calculated in the procedure defined by point 14 of the present Model Methodological Instructions.

9. When experimental enterprises are transferred to the new system of planning and economic stimulation the monies stipulated in the approved plan for bonuses for engineering and technical workers and employees are excluded from the approved overall wage fund which goes for the period of work of the experimental enterprise according to the new system. Monies which are necessary for the payment of bonuses that are paid on the basis of the work results for the period preceeding the transfer to the new system must be left here in the wage fund.

10. When experimental enterprises are transferred the production development fund is formed on the basis of depreciation allowances which are assigned for the full restoration of fixed capital and of the proceeds from the sale of decommissioned and surplus property which is a part of fixed capital (minus the expenditures connected with their elimination).

The Determination of the Planned Amounts of the Incentives Fund of Experimental Enterprises in the Five-Year Plan with an Annual Distribution and in the Annual Plan

11. The planned amounts of the incentives fund in the five-year plan for 1980-1985 with an annual distribution and in the annual plans are established in agreement with (with the participation of) the appropriate trade union committees.

12. In determining the planned amounts of the incentives funds for 1981-1985 it should be seen to it that economically valid proportions are observed between an increase in the amount of experimental work and in the amount of the wage fund, and at the same time it is necessary to ensure the elimination of unjustified differences in the amounts of the material incentives for the workers of individual enterprises.

13. The material incentives fund and the social and cultural measures and housing construction fund are formed on the basis of allotments from profits.

14. The amount of the material incentives fund for the years of the five-year plan is established as the total of the planned fund for 1980 and the increases in the fund for the years of the five-year plan.

The amount of the material incentives fund for 1985 is determined here on the basis of the 1985 wage fund and of a coefficient (in percentages) which changes in relation to the proportion of the salaries fund of engineering and technical workers and employees in the wage fund of the entire personnel. The numerical values of the coefficient are cited in the table (appendix No. 1 to the Model Methodological Instructions). The amount of the material incentives fund which is calculated in this way for the years of the five-year plan is increased for each point (percent) that the proportion of experimental work in the total amount of output production exceeds 50 percent in accordance with the following normatives (in percentages of the material incentives fund of the base (1980) year):

from 50.1 to 60%	from 60.1 to 70%	from 70.1 to 80%	more than 80%
0.19	0.21	0.25	0.30

An example of a calculation of the material incentives fund in the five-year plan is cited in Appendix No. 2 to the Model Methodological Instructions.

15. Stable normatives for the formation of the social and cultural measures and housing construction fund are approved in the five-year plan by years in the amount of 30 to 50 percent of the material incentives fund. In establishing the normatives account is taken of the degree to which enterprise workers are supplied with housing, children's preschool institutions, cultural and domestic institutions, and so forth.

16. The amount of the social and cultural measures and housing construction fund in the five-year plan by years is determined by means of multiplying the normative which has been established in accordance with point 15 of the present Model Methodological Instructions by the amount of the material incentives fund which has been computed in accordance with point 14 of the present Model Methodological Instruction.

17. The planned amounts of the incentives funds in the five-year plan for 1981-1985 with an annual distribution are provided for in the income and expenditure balances (financial plans) of the experimental enterprises.

18. The incentives funds of experimental enterprises which have been established in the five-year plan by years are increased (decreased) in relation to an excess (decrease) in the amount of sold output from experimental work in the annual plans over the approved amount of experimental work in the five-year plan for the corresponding year and in accordance with approved normatives.

19. The normatives for increasing (decreasing) the material incentives fund are established for experimental enterprises for each point (percent) of excess (decrease) in the amount of sold output for experimental work in the annual plans over the approved amount of experimental work in the five-year plan for the corresponding year, as a rule, in

the amount of 4 percent of the material incentives fund planned for 1980, while for enterprises which have been transferred during the course of the five-year plan it is 4 percent of the material incentives fund for the year of the transfer.

Depending upon the special characteristics of the individual branches of industry, the normatives for increasing (decreasing) the material incentives fund in the annual plan may also be established on the basis of other qualitative indicators.

20. When the annual plans are approved the amount of increase (decrease) in the material incentives fund is determined by means of multiplying the amount of the excess (decrease) in the amount of sold output for experimental work in the annual plan over the approved amount of experimental work in the five-year plan for the corresponding year by the amount of the normative which has been established in accordance with point 19 of the present Model Methodological Instructions.

An example of a computation of the material incentives fund in the annual plan is cited in Appendix No. 3 to the Model Methodological Instructions.

21. The amount of the social and cultural measures and housing construction fund in the annual plan is determined by means of multiplying the normative which has been established in accordance with point 15 of the present Model Methodological Instructions by the amount of the material incentives fund which has been determined in the annual plan.

The Procedure for Making Allotments from Profits to the Incentives Funds During the Course of the Year

22. Allotments from profits to the material incentives fund of experimental enterprises are made every quarter.

23. With the fulfillment of the plan for the amount for sold output from experimental work which is calculated in a running total from the beginning of the year (quarter, half-year, nine months, year) allotments are made in the amounts stipulated in the annual financial plan for the corresponding period.

24. With the fulfillment by experimental enterprises in each quarter and in a running total from the beginning of the year of the plan for the products list of experimental work within the established schedules and in accordance with the schedule orders and contracts the material incentives fund provided for the corresponding period in the financial plan is increased by 10 percent.

The above incentives are retained when there is an advanced fulfillment of the plan for the products list of experimental work in any quarter with the agreement of the consumer and when there is a fulfillment of the plan in a running total.

An increase in the incentives funds is made on the basis of above-plan profits, and when there is an insufficiency of these -- on the basis of the reserves (centralized fund) of the ministry (industrial association).

25. When experimental enterprises fail to fulfill (calculating in a running total from the beginning of the year) the plan for the products list of experimental work within the established schedules in accordance with the schedule orders and contracts the material incentives fund stipulated for the corresponding period in the financial plan is decreased.

In order to calculate the decrease in allotments to the material incentives fund when there is a failure to fulfill the plan for the products list of experimental work within the established schedules in accordance with the scheduled orders and contracts the amount of sold output from experimental work according to the plan for the corresponding period of the year (quarter, half-year, nine months, year) is reduced by the value of the output which has not been produced for the schedule orders and contracts and on this basis a determination is made of the percentage of the fulfillment of the plan for the amount of sold output with regard to the fulfillment of the products list of experimental work in accordance with schedule orders and contracts. The value of the output which has not been produced for the schedule orders and contracts is determined in a running total as of the first of the month following the reporting period.

A decrease in the allotments to the material incentives fund is determined on the basis of normatives in percentages of the material incentives fund for each percent of non-fulfillment of the plan for the amount of sold output from experimental work, including the fulfillment of schedule orders and contracts which have been approved by ministries and in agreement with the appropriate trade union committees (councils).

The above normatives must not be less than 4 percent of the material incentives fund of the base (1980) year of the five-year plan for each percent of non-fulfillment of the plan for the amount of sold output from experimental work, including the fulfillment of scheduled orders and contracts.

In addition, the minimum amount of the incentives funds (within the limits of actual profits obtained since the beginning of the year) may not be lower than 40 percent of the planned amount of the funds for the period in which there has been a non-fulfillment of the plan.

An example of a calculation of a decrease in allotments to the materials incentives funds when there is a non-fulfillment of the amount of sold output, including the fulfillment of schedule orders and contracts, is cited in Appendix 4 to the Model Methodological Instructions.

26. When there is a failure to fulfill the profits plan calculated in a running total since the beginning of the year (quarter, half-year, nine months, year) the material incentives fund is decreased. The amount of the decrease in the allotments is determined by means of multiplying the amount of the materials incentives fund stipulated in the financial plan for the corresponding period by the amount of the non-fulfillment of the profits plan in percentages.

27. In necessary cases, above-plan profits obtained by experimental enterprises on a basis of a decrease in costs for experimental work within the limits of three percent of profitability exceeding the planned normative are assigned first of all to increase the material incentives fund (in accordance with point 24), while the remaining part is distributed in the established procedure. Above-plan profits for this work in excess of three percent of profitability is subject to assignment to the state budget.

28. The following monies are included in the incentives funds of experimental enterprises:

> from allotments from profits which are formed in associations and enterprises from an actual decrease in the cost of output (performed work) resulting from the use of solutions connected with the introduction of new equipment proposed by scientific organizations jointly with experimental enterprises;
>
> from incentive markups on wholesale prices for new highly effective output and output with the State Token of Quality in the creation of which experimental enterprises take part;
>
> from the centralized bonus fund of the ministry for the fulfillment of the plan for the most important work on new equipment.

Experimental enterprises obtain the above monies in relation to their participation in the development and mastery of the industrial production of new products or the introduction of new technological processes.

The above monies (or a portion of them) have to be defi[illegible] superior organization in the schedule orders (contracts) in accordance with the procedure for distributing these monies in effect in the ministries and departments.

29. The bonuses which are paid to workers from the wage fund are included in the material incentives fund. In addition, this fund also includes, in the established procedure, other incentive monies for special bonus systems which are used for their designation.

30. The expenditure of monies from the incentives funds of experimental enterprises is performed in accordance with the "Basic Regulations on the Formation and Expenditure of the Material Incentives Fund and the Social and Cultural Measures and Housing Construction Fund (Incentives Funds) in 1981-1985 in Industry" which was approved by Gosplan USSR, the USSR State Committee for Labor, the USSR Ministry of Finance, and the All-Union Central Council of Trade Unions on 5 March 1980, No. Ya.R-6-D.

31. The production development fund at experimental enterprises which have been transferred to the new system of planning and economic stimulation is created on the basis of:

depreciation allowances designated for the full restoration of fixed capital, according to norms established by the ministry in percentages of this part of depreciation allowances;

actually obtained proceeds from the sale of decommissioned and surplus property which is a part of fixed capital, minus the expenditures connected with the elimination of this property.

32. The use of the monies of the production development fund at experimental enterprises is carried out in accordance with the Instruction on the procedure for forming and using the monies of the production development fund in production associations, at enterprises, and in construction and installation and planning and research organizations which has been approved by the USSR Ministry of Finance, Gosplan USSR, Gosbank USSR, and Stroybank USSR.

33. The experimental enterprises to which the present Model Methodological Instructions apply are freed from payments for productive capital.

34. Special features of the application of tne present Model Methodological Instructions are approved by ministries (departments) with regard to the specific nature of individual branches.

35. For experimental enterprises at which the proportion of the production of experimental work in the total amount of output production comprises less than 50 percent the formation and expenditure of the incentives funds is carried out in accordance with the "Basic Regulations on the Formation and Expenditure of the Material Incentives Fund and the Social and Culural Measures and Housing Construction Fund

(Incentive Funds) in 1981-1985 in Industry" which was approved by Gosplan USSR, the USSR Ministry of Finance, the USSR State Committee for Labor, and the All-Union Central Council of Trade Unions on 5 March 1980, No. Ya.R-6-D.

Appendix 1

TABLE

For Determining the Amount of Material Incentives Funds for 1985 at Experimental Enterprises (in Percentages of the Total Wage Fund of All Personnel)

Proportion of the salaries of engineering and technical workers and employees in the total wage fund of all personnel, percentages	Amount of the material incentive funds with a proportion of experimental work in the total amount of output production of 50 % (in percentage of the total wage fund
10	9.0
11	9.2
12	9.35
13	9.5
14	9.65
15	9.85
16	10.0
17	10.15
18	10.3
19	10.45
20	10.65
21	10.8
22	10.95
23	11.1
24	11.3
25	11.45
26	11.6
27	11.75
28	11.95
29	12.1
30 and higher	12.25

Appendix 3

EXAMPLE
Of a Calculation of a Material Incentives Fund In the Annual Plan

	Unit of Measurement	1982	1983
1. Amount of experimental work:			
in the five-year plan	thousands of rubles	2670	2880
in the annual plan			
a) absolute amount	thousands of rubles	2723	2822
b) in percentage of the five-year plan	%	102.0	98.0
2. Material incentives fund for the five year plan	thousands of rubles	107.8	112.8
3. An increase (decrease) in the material incentives fund in the annual plan compared to the amounts stipulated in the five-year plan for the corresponding year (2 x 4 x 100.6 - 8.0)	thousands of rubles	+8.0	-8.0
4. Planned amount of the material incentives fund (page 2 plus/minus page 10)	thousands of rubles	115.8	104.8

Appendix 2

EXAMPLE
Of a Calculation of the Material Incentives Fund In the Five-Year Plan

	Unit of measurement	1980	1981	1982	1983	1984	1985
1	2	3	4	5	6	7	8
Wage fund	thousands of rubles	915	929	936	950	967	970
Increase in the wage fund for 1980	---	-	14	21	35	52	55
Proportion of salaries of engineering and technical workers and employees in the wage fund of all personnel (based on the data of the report of the USSR Central Statistical Administration on the fulfillment of the labor plan, form No. 9 of the annual report for 1979)	%	25.3					
Material incentives fund for 1985							
a) in percentage of 1985 wage fund							11.45
b) Absolute amount	thousands of rubles	100.6					111.1
Increase in the material incentives fund during the five-year plan (Column 8, p. 4B-Column 3, p. 4B)	-*-						10.5
Increase in the material incentives fund per ruble of increase in the wage fund (Column 8, p. 5 Column 8 p. 2)	rubles						0.19
Material incentives fund by years of the five-year plan							
a) increase (p. 2 x p. 6)	thou. of rubles	-	2.7	4.0	6.7	9.9	10.5
b) absolute amount (column 3 p. 4B + p. 7a)	-*-	100.6	103.3	104.6	107.3	110.5	111.1
Proportion of experimental work in total amount of output production:							
a) in percentages	%	60	60	65	72	80	85
b) beyond 50 percent	%		10	15	22	30	35

[Continued next page]

Normative for increasing the material incentives fund for each point that the proportion of experimental work exceeds 50%	In % of the materials incentives fund of the base (1980) year	-	0.19	0.21	0.25	0.25	0.30
Amount of the material incentives fund for a proportion of experimental work beyond 50% (page 8 b x page 9 x column 3, page 4 b)	Thousands of rubles	-	1.9	3.2	5.5	7.5	10.5
Amount of the material incentives fund by years of the five-year plan (page 7 b + page 10)	Thousands of rubles	100.6	105.2	107.8	112.8	118.0	121.6

Appendix 4

EXAMPLE

Of a Calculation of a Decrease in Allotments to the Material Incentives Fund with a Non-Fulfillment of the Amount of Sold Output Regarding the Fulfillment of Schedule Orders and Contracts (1982)

	Unit of measurement	First Quarter	Six Months
1. Planned amount of sold output for experimental work	Thousands of rubles	670	1370
2. Value of underfulfilled output as of the first of the month following the reporting period	Thousands of rubles	13.4	13.7
3. Fulfillment of the plan for sold output for experimental work with regard to the fulfillment of schedule orders and contracts First Quarter (670 - 13.4) x 100:670 Six months (1370 - 13.7) x 100:1370	%	98.0	99.0
4. Normative for decreasing the amount of the material incentives fund for each percentage of non-fulfillment of the plan for sold output for experimental work with regard to the fulfillment of the schedule orders and contracts	In percentages of the material incentives fund of the base (1980) year	4	4
5. Amount of the material incentives fund according to 1980 plan	Thous. of rubles	25.0	50.0
6. Decrease in allotments to the material incentives fund with the non-fulfillment of schedule orders and contracts First quarter $(\frac{2x4}{100})$ x 25 - 2.0 Thou. of rubles Six months $(\frac{1x4}{100})$ x 50 - 2.0 Thous. of rubles	Thousands of rubles	2.0	2.0

2959
CSO: 1820

ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

BANK INTEREST RATES SET BY DECREE

Moscow EKONOMICHESKAYA GAZETA in Russian No 29, Jul 80 pp 11-12

[Text] To implement the decisions of the party and government dated 12 July 1979 on further improvement of the economic mechanism, on 21 April 1980 the USSR Council of Ministers adopted Decree No 323 entitled "On Rates of Interest for Use of Bank Credit" (SP SSSR, No 13, 1980, item 89).

This decree sets interest rates to be collected for use of bank credit. They are to take effect as of 1 January 1981, but on new credits extended in accordance with Decree No 695 of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979, they are to be applied from the date of adoption of the present decree.

The rate of the penalty on delinquent payments for commodities and materials delivered, services rendered and jobs performed has been set at 0.04 percent of the total amount of the delinquent payment for each day of delinquency, but the present rate of the penalty, which is 0.03 percent, shall be retained for kolkhozes.

Expenses incurred by customers to pay higher interest on use of bank credit obtained for capital investments and to pay for equipment in the cases specified and also to pay interest for use of bank credit obtained to pay the bills of contractors for work items performed, shall be charged to the results of financial activity at enterprises in operation, but in the case of newly constructed enterprises they shall be charged to centralized funds and reserves of industrial associations or other appropriate bodies of economic management, and should they be lacking or insufficient, they shall be charged to centralized funds and reserves of ministries and departments.

Interest on bank credit extended to outlays incurred in connection with overfulfillment of the capital construction plan in the current year shall be paid by newly built enterprises and existing enterprises out of centralized funds and reserves of industrial associations or other corresponding bodies of economic management, and should they be lacking or insufficient, they shall be paid out of centralized funds and reserves of ministries and departments.

Beginning on 1 January 1981 foreign trade organizations shall charge expenditures to pay interest on use of bank credit out of their profit.

Rates of Interest Collected for Use of Bank Credit

I. Short-Term Credit

Credits to cover seasonal stocks of farm products, raw materials, auxiliary supplies, purchased semifinished products, to cover work in process, to cover stocks of intermediate products manufactured on the premises or stocks of finished products, as well as to cover seasonal outlays--2-3 percent.*

Credits to cover expenditures against future periods related to performance of work to prepare new production operations and to put new products into production (including startup and adjustment work) and also to cover outlays for mine-preparation and stripping work; and credits for a shortage within the year of amortization deductions earmarked for major repairs--3 percent.

Credits to cover outlays of ministries and departments to be financed with the resources of the unified fund for development of science and technology, when there is a discrepancy during the year between the expenditures from and payments into that fund; to cover outlays of scientific-production and production associations to be financed with resources of the unified fund for development of science and technology when work is performed in a shorter time than anticipated in the plan and also to perform highly effective measures to develop science and technology not anticipated in the plan--1 percent.

Credits extended to supply and sales organizations: to cover turnover within the limits of the planned amount of credit (the reference figure for credit financing), to cover the seasonal accumulation of goods and deliveries ahead of schedule, to purchase from enterprises superfluous items of inventory they do not need; credits extended to trade organizations: to cover commodity turnover within the limits of the planned amount of credit, to cover temporary accumulation of above-allowance inventories, to cover the seasonal accumulation of goods, to meet temporary needs of trade organizations fulfilling planned assignments for commodity turnover, to cover goods sold to the public on credit; credits extended to foreign trade organizations to cover export and import goods which are in the USSR and abroad, services rendered, securities and other instruments of payment related to export operations--2 percent.

Credits to cover delivery of goods to trade organizations ahead of schedule--1 percent.

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* The interest rates are differentiated by industries (subindustries) by USSR Gosbank in agreement with the USSR Ministry of Finance.

Credits to cover the commodity turnover of organizations in the system of USSR Gossnab and the USSR State Committee for Supply of Production Equipment for Agriculture over and above the reference figure for credit financing and to cover temporary stocks of goods--3 percent.

Credits to cover commodity turnover of trade organizations over and above the planned amount of credit and to meet the temporary needs of these organizations when they have not been fulfilling the planned assignments for commodity turnover--4 percent.

Credits to cover remaining stocks of livestock feed, young animals and animals being fattened, to cover outlays to build up the foundation herd of sovkhozes and other state agricultural organizations--all types of short-term credit extended to kolkhozes and interfarm enterprises and organizations--1 percent.

Credits to cover stocks of commodities and materials and to cover production costs and other credits of sovkhozes and other state agricultural enterprises--3 percent.

Credits to cover planned inventories of commodities and materials of organizations operating as contractors; for clients to pay for domestic equipment intended for production and municipal-service facilities under construction (plantwide equipment); to pay for work items performed in project planning and construction of vessels for export; to pay expenses incurred in extending technical aid to foreign states; to pay for import deliveries of river and lake vessels, transportation equipment, construction machinery and other machines and equipment not requiring installation, as well as materials and technical documentation for capital construction, outlays for supervision of installation and other expenses anticipated in contracts; to cover payments of their own resources which clients will make as their participation in capital investments; to cover expenditures of clients when the capital construction plan is overfulfilled in the current year; and to cover the cost of film studios in film production--2 percent.

Credits to pay for manufacturing equipment, production lines, production units, equipment for mechanization, automation and control and monitoring when the general supplier delivers them complete, and for construction projects to pay for major domestic manufacturing and power engineering equipment for production facilities under construction:

i. up to the planned date for completion of delivery of the entire set of equipment, its release for installation or its installation--2 percent;

ii. after expiration of the planned period for completion of delivery of the entire set of equipment, its release for installation or its installation--5 percent.

Credits to cover the costs of contractors (construction and installation organizations, administrations and trusts for mechanization, project planning and surveying organizations, geological exploration organizations, drilling organizations, construction repair organizations, interfarm construction organizations, and construction organizations in the consumer cooperative system) on the basis of construction and installation work and project planning and surveying work in process:

i. up to the planned date for delivery of the project plans and enterprises and complexes, phases and facilities capable of independent operation on which construction has been completed--0.5 percent;

ii. after expiration of the planned date for delivery of project plans, enterprises or complexes, phases and facilities capable of independent operation--4 percent.

Credits to cover costs of operations of scientific research, project planning and design, and production engineering organizations:

i. up to the planned date for delivery of scientific research, project planning and design, and production engineering projects--0.5 percent;

ii. upon expiration of the planned date for delivery of scientific research, project planning and design, and production engineering projects--4 percent.

Credits to build up the allowance of working capital in the form of construction and installation work in process of construction contractors--0.5 percent.

Credits to pay for imported equipment requiring installation:

i. up to the planned date for release of the equipment for installation--2 percent;

ii. after the planned date for release of the equipment for installation--10 percent.

Credits to cover settlement documents en route and to obtain books of checks used in paying for transportation services--2 percent.

Credits to cover nonseasonal above-allowance stocks of commodities and materials and production costs; for the turnover of inventories and outlays for wages over and above the reference figure for credit financing; to cover the commodity turnover over and above the planned amount of credit and also other credits to cover goods in the hands of supply and sales organizations of ministries and departments; to cover the rise in the allowance of own working capital--6 percent.

Credits to cover above-plan, superfluous and unnecessary remainders of commodities and materials--8 percent (for construction and domestic trade--6 percent).

Credits for temporary needs--6 percent (for construction--4 percent).

Credits extended to enterprises and organizations performing well when they experience temporary financial difficulties that arise in fulfillment of production and sales plans--5 percent (domestic trade--2 percent).

Credits extended to trade organizations to replace own working capital drawn off to accounts receivable on the basis of claims awarded by the courts and arbitration commissions--5 percent (for consumer cooperatives--2 percent).

Credits to open letters of credit and special accounts; to acquire books of checks used in paying suppliers for goods and services rendered; for redistribution of profit, working capital and other funds which is done in accordance with statutes in effect; to complete the clearing of mutual indebtedness and other credits used in settlement--5 percent (foreign trade--3 percent).

Credits to pay bills of suppliers for commodities and materials and services rendered when the indebtedness under loans has lasted less than 60 days; to pay bills of construction contractors for work items performed--5 percent (for sovkhozes and other state agricultural enterprises--3 percent, and for interfarm enterprises and organizations--1 percent).

Credits to pay bills of suppliers for commodities and materials and services rendered when the indebtedness has lasted more than 60 days--10 percent (for sovkhozes and other state agricultural enterprises--5 percent, and for interfarm enterprises and organizations--3 percent).

Credits for temporary replenishment of a shortage of "own" working capital--8 percent (for construction--6 percent, and for domestic trade--4 percent).

Extended unsecured indebtedness under loans--8 percent (for domestic trade--6 percent, and for construction--4 percent).

Delinquent indebtedness under loans--10 percent (for sovkhozes and other state agricultural enterprises--5 percent, and for kolkhozes and interfarm enterprises and organizations--3 percent).

II. Long-Term Credit

	Rate of Interest			
	When Measures Are Completed With Planned Period	When They Are Completed Ahead of Schedule (at least 10% earlier than planned date)	When Planned Deadline Is Not Met	In Cases of Delinquent Indebtedness
Credits on planned capital investments of state associations, enterprises and organizations (excepting sovkhozes and other state agricultural enterprises)	1	0.5	2	5
Credits covering planned capital investments of sovkhozes and other state agricultural enterprises, capital investments of kolkhozes, interfarm enterprises and organizations, and consumer cooperative organizations	0.75	0.5	1.5	3
Credits to cover measures to be performed over and above ceilings on state capital investments	2	1	4	3
Credits to cover capital investments of public organizations to build sanatoriums, boardinghouses, tourist centers, rest homes and combined tourist and therapeutic institutions	0.5	0.25	2	3
Credits extended to housing construction cooperatives to build residential buildings	0.5	--	--	3

	Rate of Interest			
	When Measures Are Completed With Planned Period	When They Are Completed Ahead of Schedule (at least 10% earlier than planned date)	When Planned Deadline Is Not Met	In Cases of Delinquent Indebtedness
Credits extended to individuals for private housing construction, major repair of dwellings, acquisition of livestock, to equip their farms and to cover costs of moving from zones flooded by storage reservoirs	2	--	--	3
Credits extended to kolkhozes, sovkhozes and other agricultural enterprises and consumer cooperative organizations to build private dwellings of the homestead type with outbuildings; to kolkhozes and sovkhozes to build dwellings with outbuildings and to acquire livestock for people who have been resettled	0.5	--	--	3

Note: The rates of interest on other types of credit are set by the banks in agreement with the USSR Ministry of Finance in accordance with the present scale.

7045
CSO: 1820

STATUTE ON DRAFTING GOAL-DIRECTED NATIONAL ECONOMIC PROGRAMS

Moscow EKONOMICHESKAYA GAZETA in Russian No 29, Jul 80 pp 13-14

[Procedures approved by USSR Gosplan Decree No 117 dated 3 June 1980: "Basic Principles Concerning Methods of Drafting the Comprehensive Goal-Directed National Economic Programs"]

[Text] Decree No 695 of the CPSU Central Committee and USSR Council of Ministers, dated 12 July 1979 and entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," calls for the drafting of comprehensive goal-directed scientific-technical, economic and social programs, and also programs for development of particular regions and regional industrial complexes as a very important component of multiannual state plans for economic and social development. USSR Gosplan was ordered to determine with the help of interested USSR ministries and departments and the councils of ministers of union republics and to adopt the list of these programs to be drafted and carried out along with successive multiannual plans, the procedure for drafting them, and the dates by which they are to be drafted.

I. General Provisions

1. The comprehensive goal-directed national economic program (TsKP) is a document that has the force of a directive and is specifically assigned, an integrated package of socioeconomic, production, scientific-research, economic-organizational and other assignments and measures linked to resources, the entities responsible and dates of completion and directed toward solving by the most effective means a national economic problem whose solution requires the participation of a number of sectors and industries as well as USSR ministries and departments, councils of ministers of the union republics and local administrative authorities.

The TsKP's are drafted to solve the most important national economic problems and are an integral part of state multiannual and current plans of the economic and social development of the USSR. All of them taken together comprise the basis for the program-by-program breakdown of these plans, which supplement the existing sectoral and regional breakdown of the plans and is altogether linked to them. The plans back up the assignments and measures of the TsKP's with all types of resources on a priority basis. In their content and in the magnitude of resources used the TsKP's taken together encompass only a certain portion of the tasks and resources of state plans for economic and social development.

2. The TsKP's possess a number of very important peculiarities. They are as follows:

i. their goal-directedness is quite marked and is manifested both in the strict orientation of all the measures and assignments incorporated into them as well as of the resources used toward complete solution of the particular national economic problem, and also in the procedure for compiling them, which begins with setting the ultimate goal (or goals) of the program, which are then broken down by stages to the level of specifically assigned tasks and measures;

ii. they are characterized by clearly expressed final (specific) results (indicators), which as a rule are determined on the basis of a system of progressive quotas and standards devised for the multiannual period;

iii. they incorporate the entire set of assignments, measures and corresponding resources projected over the entire period allotted to fulfillment of the goal (solution of the problem) which has been set;

iv. they are distinguished by a high degree of comprehensiveness (by completeness of coverage of relations among industries and sectors);

v. they unite the functions of planning and management, since along with the system of planning assignments and measures, they also incorporate measures to manage fulfillment of the TsKP;

vi. they have a planned period for fulfillment which need not necessarily coincide with the established planning period. The period for fulfillment of the TsKP is determined by the time from commencement of operations to fulfill the program to the moment when the ultimate goals set in it have been entirely attained.

3. The TsKP's are subdivided into the following basic types:

a) into the following with respect to their content:

i. socioeconomic programs, which are aimed at solving the problem of developing and improving the socialist way of life, at raising the material and cultural standard of living of the Soviet people, at improvement of working conditions and transformation of the character of work, etc.;

ii. production-economic programs, which are aimed at solving major intersector problems in the domain of production, at raising production efficiency and quality characteristics, at optimum utilization of labor, physical and financial resources, at creation and development of new sectors and industries and types of production, and at solving other similar problems;

iii. scientific-technical programs, which are aimed at solving the most important scientific-technical problems and at broad application of the advances of science and technology in the national economy;

iv. regional programs, which are aimed at achievement of comprehensive economic development of new areas or at transformation of existing regions of the country and at the formation and development of regional industrial complexes (TPK's);

v. ecological programs, which are aimed at carrying out large-scale projects to protect and transform the natural environment;

vi. economic-organizational programs, which are aimed at improving the organization of management of individual economic systems or combinations of them.

To determine the type of TsKP, when it possesses several of these characteristics, one must identify the leading (predominant) characteristic, which follows from the content of the program's principal goal;

b) into the following with respect to the time they cover:

i. long-range programs extending over a period of more than 5 years;

ii. medium-term programs extending over a period of 5 years or less.

4. The TsKP's may consist of subprograms at various levels.

The division of a TsKP into subprograms is based on the need to ensure optimum organization of management of their drafting and fulfillment through strict delimitation of responsibility among participants in the drafting and fulfillment of the TsKP.

The subprogram constitutes a relatively independent part of the program, a part that includes assignments and measures aimed at fulfillment of one or several tasks of the program. The subprograms are shaped by identifying within the ultimate goal of the program the intermediate goals (subgoals) and sets of tasks and the grouping of subgoals and tasks according to a particular principle (by departments, by regions, by similarity of production or technology, etc.) and by designating the group of entities responsible for each such group. As a function of the scale of the program and the level of its complexity the set of subprograms may cover the program as a whole or a principal part of it.

Each subprogram may in turn be broken down into subprograms at a lower level (elements). The number of levels of subprograms depends on the scale and complexity of the TsKP, but should not be very great.

Certain subprograms or elements of them may have an interprogram designation, for example, infrastructural projects or construction capabilities, and so on whose activities (results) can have an impact on solving similar problems of different comprehensive programs or problems not covered by the programs.

5. The TsKP's system of indicators is an integral part of the system of indicators of state plans of economic and social development and is based on the indicators and economic standards of the 10-year main lines of economic and social development of the USSR and 5-year and annual plans and take into account the units of measurement and time breakdowns adopted for these indicators and standards. The TsKP's system of indicators may be broader than the nomenclature of indicators of state plans of the country's economic and social development. The TsKP's may also include indicators which have great importance to their fulfillment and which are planned at the level of USSR ministries and departments and union republics, as well as associations and enterprises.

Indicators characterizing the following are among the most general indicators of the programs:

a) production (creation) and distribution (functioning) of the final product of the program;*

b) the capability for backing up the programs with raw materials, supplies, components and equipment;

c) the capability for backing up the programs with labor resources, including measures to train skilled workers and specialists;

d) the activation of capacities and capital assets for production and nonproductive purposes, the capability for backing up the programs with capital investments, a distinction being made between expenditures for construction and installation work and outlays for equipment, and also the capacities of construction organizations (with due respect for their specialization);

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* By "final product of the program" (the program product) is meant the specific end result of the program regardless of the specific forms in which it is represented (in physical terms, in terms of energy or in terms of information). The volume of net output (normative), the volume of commodity output, services, specific products in physical terms, production and nonproductive facilities, advanced technology, regional economic entities (industrial parks, TPK's, and so on) or management systems created, knowledge, environmental protection measures and other specific results of the TsKP come equally under the head of the program product.

e) optimum utilization of all types of resources (indicators of their specific inputs per unit of the program product, coefficients of utilization, economy measures and assignments, and other indicators);

f) the need to accomplish scientific-technical measures (research and design projects, acquisition of licenses abroad, creation of experimental and pilot plants and full-fledged industrial facilities embodying new technology, the manufacture of adjustment runs of new products, manufacture of the first lots of the product under the conditions of industrial production with new manufacturing processes, the conduct of various types of experiments, including experiment in the economy, and other measures);

g) assignments for norm-setting techniques and metrological support of the TsKP;

h) principal stages for achievement of the most important intermediate goals;

i) effectiveness in accomplishment of the set of measures planned in the program;

j) natural resource conservation measures and steps aimed at optimum utilization of natural resources;

k) industrial, scientific-technical and foreign trade cooperation of the USSR with the socialist and other foreign countries within the framework of the TsKP's being carried out;

l) measures in the fields of planning and management indispensable to fulfillment of the TsKP.

6. The TsKP's which are to be carried out within a given planning period are included in the state plans of the country's economic and social development as follows:

i. the program as a whole, i.e., the entire system of binding and specifically assigned tasks and measures by sectors (departments) and by regions--in the form of a separate appendix;

ii. the final (specific) indicators of the programs of the given planning period--in the section entitled "Principal Indicators";

iii. the most important assignments and resource indicators of the programs (within the limits of the list of assigned indicators of state plans)--as "goal-directed" lines in the respective sections of the plan.

Long-range TsKP's are moreover included in the Main Lines of the USSR's Economic and Social Development over the 10-year period, and the relevant assignments of these programs are reflected in successive 5-year and annual plans. Medium-term programs are included in 5-year plans, and the assignments and measures are broken down by years. The relevant assignments and measures of the programs are reflected in annual plans.

II. Procedure for Drafting Comprehensive Goal-Directed National Economic Programs and for Devising the Program-by-Program Breakdown of Plans of USSR Economic and Social Development

7. The drafting of the TsKP is an integral part of the unified process of nationwide centralized planning.

The scheme for drawing up the program-by-program breakdown of state plans of economic and social development includes the following stages and steps:

a) compilation of the list of the most important national economic problems to be tackled with programs;

i. compilation of the complete list of national economic problems of the upcoming period which can and must be tackled by the program method;

ii. selection from this list of those problems whose solution is most necessary to the country's economic development and which can be carried out in view of the resource capabilities of the upcoming period without damage to the proportional and balanced development of the national economy (ranking of problems);

iii. analysis and preliminary workup of the problems selected, the drafting and approval of the final list of problems for which TsKP's need to be drafted, the latter to be incorporated in the multiannual plans of the country's economic and social development in the upcoming period;

b) the drafting of recommendations relevant to the TsKP's and the composition of draft proposals of the programs;

i. preparation of the initial assignment for the drafting of the programs;

ii. determination of the program structure (division into subprograms) on the basis of the initial assignment, preparation of the overall scheme of operations and the detailed coordination plan, preparation of the necessary materials pertaining to organization and methods (on the basis of standard materials), due consideration being given to the specific nature of each TsKP;

iii. preparation of proposals for the TsKP by the drafting organizations and the writing up of the draft proposals;

iv. examination and approval of the draft proposals of the programs by the clients who ordered them;

c) inclusion of the TsKP in state plans of economic and social development;

i. a preliminary assessment of capabilities for furnishing resources to the programs is made in the two previous stages of their compilation during the work to prepare the draft of the country's Main Lines of Economic and Social Development for the upcoming planning period;

ii. the program's indicators are put in final form and linked to the indicators of other programs being drafted and other indicators of the plan during the work to prepare draft proposals of the Main Lines of USSR Economic and Social Development for the 10-year period, reference figures for the principal indicators and economic standards for the upcoming 5-year period and the next 5-year plan;

iii. as a rule programs are approved at the same time when the 5-year plan is approved.

This scheme is the standard one. Deviations from this scheme may be permissible in work on specific individual problems to be dealt with by the program method, and certain stages may be omitted, since in the initial stage of drafting the upcoming multiannual plan of the country's economic and social development the following may already exist:

i. programs whose fulfillment began in the period preceding the planning period;

ii. programs whose fulfillment is to commence within the planning period and which have been drafted and approved or are scheduled for approval;

iii. programs which are in the drafting stage and whose fulfillment has been proposed for commencement within the planning period;

iv. programs whose drafting was to have been done in the previous planning period (problems which have been posed which need to be tackled by the program method).

8. The List of Most Important National Economic Problems To Be Tackled by the Program Method,* is compiled on the basis of an analysis of society's needs, its ability to meet those needs and ways of solving the social, economic, scientific-technical, production, defense, ecological, foreign economic and other tasks confronting socialist society.

The initial basis for compiling the List of Problems are the programmatic positions taken by the CPSU on the issues of the USSR's economic and social development, the results of scientific research which has been conducted and forecasts prepared concerning prospects for development of the economy, of the sectors of the economy and individual industries, of scientific-technical progress, and so on, the materials of the Comprehensive Program of Scientific-Technical Progress and Its Socioeconomic Consequences Over the 20-Year Period, schemes for development and location of sectors and productive forces of the union republics, and also proposals of USSR ministries and departments and councils of ministers of union republics for creation and development of major intersector complexes, for development of new regions and transformation of existing ones, and also for solving the most important intersector problems. The problems on which programs have already been drafted or are being drafted as well as programs being carried out are also taken into account when this list of problems is drawn up.

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* Hereafter referred to as the "List of Problems."

In the first stage, on the basis of the recommendations of the Comprehensive Program of Scientific-Technical Progress Over the 20-Year Period, the full (or detailed) list of national economic problems of the coming period whose solution is feasible and possible by the program method is determined, and then the final list of problems is arrived at through the process of step-by-step selection (ranking).

The criteria used in selecting the problems which are to be solved with a program are as follows:

a) the particular need which the national economy has for solving the given problem within a specified period of time. This criterion is characterized by the degree of difference between the initial state of the problem (or the state that will be attained in the future if present trends are maintained) and the targeted state that meets the country's future needs, as well as the particular importance of the program product to economic development as a whole and to solving the socioeconomic and other problems facing the economy;

b) the intersector and multiprofile character of the problem, i.e., the participation or interest of many USSR ministries and departments, union republics or economic regions in solving the problem.

The multiprofile nature of the problem is characterized by the fact that the share of various sectors (union republics or economic regions) participating in solving it is rather high or approximately the same, which indicates that there is no one leading sector (ministry, department, union republic or economic region) within which it might be solved.

Problems which meet the two basic criteria mentioned above have priority in the selection for inclusion in the List of Problems. In addition to these basic criteria, the following additional criteria specific to certain problems may also be taken into account:

1. the fundamental newness of the technical, organizational and other solutions necessary to solving the problem and at the same time the absence of any ministry, department or other administrative entity responsible for solving this problem as a whole (for example, creation of a new industry, subindustry, production operation, etc., on the basis of a fundamentally new scientific discovery);

ii. the preparedness of the national economy for solving the problem in question, i.e., existence of the relevant scientific-technical and industrial spadework and available resources for solving it.

Certain other criteria may also be used as a function of the specific nature of the problems.

Problems proposed for program treatment should also be characterized by the possibility of quantitative determination of the final goals of the program.

The proposals of USSR ministries and departments and councils of ministers of union republics pertaining to the List of Problems and also the recommendations of the Comprehensive Program of Scientific-Technical Progress and Its Socioeconomic Consequences Over the 20-Year Period relevant to the drafting of that List must by way of substantiation cover the following points and include the following indicators for each problem:

i. statement and substantiation of the problem and a description of its newness. The anticipated future change of the problem if present development trends continue and it is not solved on the basis of a program. Substantiation of the need for and possibility of drafting a TsKP concerning this problem (on the basis of the peculiarities of the TsKP and the criteria for selection of problems). The economic, social, scientific-technical and other most important results of solving the problem. Existence of industrial and scientific-technical spadework for solving the problem;

ii. preliminary formulation of the goal (goals) and tasks of the program along with indication of possible basic specific indicators and their justification;

iii. possible (or necessary) length of the period for fulfillment of the TsKP related to the problem;

iv. list of USSR ministries and departments and union republics or economic regions which are to take part in carrying out the TsKP;

v. capital investments required to solve the problem on the basis of approximate computations;

vi. list of drafters of the TsKP and proposals concerning designation among them of the principal drafter that would be responsible for drafting the program as a whole.

The indicators of the problems selected for inclusion in the final proposed version of the List of Problems are revised and corrected thereafter during the work of preparing the draft proposals of the Main Lines of USSR Economic and Social Development over the 10-year period and the succeeding 5-year period. On this basis the final draft proposal of the List of Problems takes shape; it must contain the following:

i. a statement of the principal goal (goals) of the TsKP to be drafted for the given problem and identification of the principal subprograms if they are required;

ii. the principal final (specific) indicators of the program;

iii. indicators of the time required to solve the problem and identifcation of the most important stages in the program's fulfillment if necessary.

Aside from that, the List of Problems indicates the organization which is the requester of the comprehensive program, the organization which bears principal responsibility for the drafting, and the list of the other participants in the work along with a statement of their principal functions. The requester-organization for economic, social and regional TsKP's is ordinarily USSR Gosplan, and for scientific-technical programs it is the USSR State Committee for Science and Technology; they provide supervision as to methods of drafting the respective TsKP's and coordinate the work of compiling them.

9. The initial assignments for drafting the TsKP is prepared either by the requester-organization or under its supervision by the head drafting organization subject to approval of the requester-organization. The initial assignment is the principal document from which the drafters of the program obtain guidance.

The preparation of the initial assignment must cover the setting of tasks for the drafters in compiling the TsKP and must define the basic principles of governing organization and method in the conduct of this work, including definition of the makeup and structure of the proposals to be prepared for the TsKP and procedure for reconciling them and for shaping [the draft proposal] and submitting it to the head drafting organization. This necessarily involves the following:

i. breaking down the statement of the program's principal goal as given in the approved List of Problems to an interrelated set of subgoals and tasks and for each of them determining the approximate final indicators for conditions for devising them, the approximate makeup of participants in accomplishing those subgoals and performing those tasks and establishing the periods of time required for their attainment;

ii. adopting the criteria that will govern the structural makeup of the TsKP and the principles for shaping its subprograms and elements;

iii. establishing the possible maximum amount of capital investments and other principal resources required to carry out the TsKP, along with their distribution by planning period;

iv. determining the approximate list of indicators of the TsKP and identification of those indicators which are to be assigned as a part of state plans, or statement of instruction on the shaping of that list;

v. adopting on the basis of the specific nature of the program the most important technical-and-economic norms and standards required, those whose attainment (observance) is absolutely necessary in carrying out the TsKP.

The initial assignment for drafting the TsKP should as a rule contain the following:

i. a detailed statement of the principal goal and principal subgoals and tasks of the program and the final (specific) indicators;

ii. instructions on shaping the structure of the TsKP;

iii. a list of participants in work on the problem;

iv. the most important directions for solving the problem and the principal constraints which will have an impact on its solution;

v. the possible maximum amounts of capital investments and the most important types of resources required to carry out the program, along with distribution over the principal planning period;

vi. the principal technical-and-economic indicators of the program product and standards which are required;

vii. the principal instructions as to organization and method, including forms and indicators for preparing the draft proposal of the TsKP, general requirements pertaining to the number of alternatives in which proposals are to be prepared, to the substantiation of assignments and measures, to the scope and methods of computations required, to procedure for their reconciliation and examination, as well as other necessary instructions on aspects of organizing the process of drafting comprehensive programs and monitoring progress in compiling them.

The organization which bears principal responsibility for drafting the TsKP shall organize the work of other participants in compiling the draft proposal of the TsKP on the basis of the initial assignment. The principal functions of head drafting organizations are as follows:

i. organization of the work of the other participants and consideration of the proposals they have prepared for the subprograms and sections of the comprehensive program;

ii. summarization of these proposals and correlating them with one another in terms of volumes of production of the program product and needs for resources, by assignments and measures;

iii. analysis of the possible alternatives for attainment of the goals that have been submitted by the other participants and determination of that version which is most effective from the standpoint of the national economy;

iv. revision of the distribution of assignments and measures to carry out the TsKP among the program's subprograms and divisions;

v. correlation of the assignments and measures with respect to periods of time and determination of the sequence of their accomplishment;

vi. submittal of the proposed version of the TsKP which has been drafted to the requester.

The head drafting organization of the TsKP, with the help of the other participants, shall perform the following:

i. compile an overall scheme of operations for compiling the comprehensive program;

ii. draw up a detailed plan for coordinating the drafting of the TsKP in which the stages and sequence of the jobs of the other participants and the other individual participants are given assignments and completion dates. The coordination plan may if necessary include a network schedule of the jobs, indicating deadlines and anticipated results in drafting the proposed version of the program as a whole and for each subprogram separately;

iii. prepare in view of the specific nature of the TsKP methods guidelines based on the standard procedural guidelines and also forms and indicators which the other participants are to use in submitting their proposals pertaining to this TsKP.

All these materials are to be cleared with the requester, then adopted by the head drafting organization and then distributed among the other participants.

11. In the next stage of the work the participants in compiling the comprehensive program prepare their prospective proposals for the proposed version of the TsKP on the basis of the approved coordination plan.

The proposed version of the TsKP which the head drafting organization submits to the requester must include the following:

a) a statement and description of the problem, including the characterization of its initial state and also the necessary arguments justifying its solution;

b) a statement of the program's principal goal, subgoals and tasks and the final (specific) indicators that characterize them;

c) a description of structural changes (in the composition of output, the use of resources and the location of productive plant) which will take place as a result of carrying out the program in economic sectors and industries and also a chart of the intersector and interregional connections of the TsKP;

d) the principal indicators of the program which are to be included in the state plans of economic and social development;

e) program assignments and measures, with an indication of who is responsible for their performance and deadlines. The following should be identified within this group of assignments and measures: the list of construction sites and projects and capital assets and capacities to be put into service; a list of the principal scientific-technical measures, including assignments for setting of standards pertaining to the program product and its metrological support; assignments for the training of skilled workers and specialists; and measures for environmental protection and optimum use of natural resources;

f) a chart of fulfillment of the program showing the sequence in which it is to be fulfilled, the order in which its intermediate results are to be attained and its individual stages performed, and the date for full completion of fulfillment of the TsKP;

g) the need for labor, physical and financial resources, accompanied, if necessary, by an indication of their qualitative characteristics and the conditions and dates of their delivery (allocation);

h) proposals concerning the forms and organizational procedure for carrying out the program and for monitoring its fulfillment as well as a list of the most important economic-organizational measures indispensable to fulfillment of the program, including measures to improve the economic mechanism related to carrying out the TsKP;

i) indicators of the efficiency of the program.

An explanatory note is to be appended to the proposed version of the TsKP along with the necessary analytical-reference indicators.

These indicators and proposals should be worked out for the program as a whole and for its subprograms in a breakdown of USSR ministries and departments and union republics and in a time breakdown of the respective sections of the state plans. In the case of long-range programs, moreover, 5-year periods are distinguished, and the first of them is worked out in a breakdown by years.

It is possible for several versions of the program to be drafted that would differ in the combination of measures for achieving the goal they contain. One version is chosen on the basis of the methods of determining the efficiency of the programs.

12. The efficiency of the programs is attained by utilizing all the factors for intensification of social production (scientific-technical progress, a regime for economy and improvement of the utilization of resources and productive potential, and so on), that promote a rise in labor productivity and the output-capital ratio, a reduction of resource intensiveness and a rise in the quality of the product (of work), and improvement of other technical-and-economic indicators of the performance of the sectors of the economy or the economies of the republics (economic regions) participating in carrying out the TsKP or consuming its product. The efficiency of the programs is considerably enhanced by the organizational factor, which is implemented by eliminating duplication and departmentalism in solving major economic problems, through optimum organization of the infrastructure common to all participants in carrying out the TsKP, and by establishing the optimum sequence for construction of individual projects for parts of the program.

The efficiency of the TsKP is computed on the basis of the scheme for carrying out the program and its technical-and-economic substantiation.

On the basis of the chart of intersector and interregional connections the following are determined: the full capital investments required to carry out the program, current outlays for the entire group of its participants, the volume of their growth (commodity) output, net output, and profit, and also, where necessary, the amount of turnover tax.

Respective data on associations, enterprises and organizations which are participants in carrying out the program are not included in the computation of these indicators if those entities meet the following conditions:

i. if they were built before commencement of fulfillment of the TsKP, have available capacities and do not require additional capital outlays to perform the assignments and measures under the program;

ii. if they are being built (financed) under other programs.

For purposes of computing the efficiency of programs the overall chart of intersector and interregional connections of the TsKP must be elaborated and detailed so as to take into account changes in those connections which have taken place with the passage of time.

The Standard Method of Determining the Economic Efficiency of Capital Investments, adopted under Decree No 40/100/33 of USSR Gosplan, USSR Gosstroy and the Presidium of the USSR Academy of Sciences on 8 September 1969, and also Methods Guidelines for Drafting State Plans of the Economic and Social Development of the USSR, adopted under Decree No 63 of USSR Gosplan on 31 March 1980, must be taken as the basis for determining the efficiency of the programs.

Indicators of comparative economic efficiency and of total (absolute) economic efficiency are used to calculate the efficiency of the programs. Note should be taken of the following:

a) when the method of comparative economic efficiency is used, it should be taken into account that it is not ordinarily possible to choose an analog for each of the programs for comparison of economic indicators. The method to be used, then, is that of alternative versions within the limits of the programs already selected. In this case, when proposed versions of TsKP's are being drafted, comparisons are made of alternative versions of subprograms and individual measures with respect to efficiency, or alternative versions of the program as a whole are compared with one another as to efficiency.

Periods of time for accomplishment of the program as a whole should be paid particular attention when comparisons are made of alternative versions of individual measures (subprograms or the program as a whole). For that purpose, when draft proposals of programs are being drafted, comparisons are made of planned network schedules for accomplishment of the programs. Moreover, for measures lying on the "critical path" and determining the duration of fulfillment of the programs as a whole, the minimum duration of the work is an exceedingly important criterion of efficiency.

To compute the comparative economic efficiency of programs whose fulfillment involves approximately equal participation of various economic sectors and industries the unified national economic coefficient of efficiency is applied to all participants in carrying out the TsKP. For programs in which some one sector or industry has predominant significance, the coefficient of efficiency adopted for that sector or industry is used for all participants in carrying out the TsKP if that coefficient differs from the unified national economic coefficient.

"Imputed costs" may be calculated to select intraprogram alternative versions of a TsKP being drafted if they do not alter the final results or the makeup of the program;

b) when the indicator of total (absolute) economic efficiency is used, calculations of the benefit should embrace the entire period for carrying out the program from the moment when work commences to carry out the program assignments and measures up to full attainment of the final (specific) indicators of the TsKP.

It is moreover necessary to take into account the assimilation of the capital investments by years, their gradual conversion to operating capital assets and capacities, the volume of operating expenses required at enterprises put into operation and the volume of net output and profit obtained at the new enterprises, and, if necessary, the turnover tax as well. The level of costs and the benefit should be determined for each year of carrying out the program.

To determine the economic efficiency of the program (subprogram) in cases when this can be done so as to take into account the specific nature of the sectors and industries participating in carrying out the TsKP and also the content of the program, use should also be made of the indicators of materials intensiveness, the output-capital ratio, labor productivity and specific capital outlays computed against the end product of the program (subprogram).

In social, ecological and other TsKP's whose results are not always subject to strict formalization, along with a direct quantitative estimate, the benefit from qualitative changes in the processes planned should also be examined (improvement of the working and living conditions of the Soviet people, conservation of the natural environment and its elements, and other similar results).

Indicators of the minimum time f[illegible] out the program under the given restraints in terms of resource[illegible]al (specific) program indicators, the minimum of scarce resource[illegible]iven program, and so on, may also be used as indicators to be take[illegible] account in determining economic efficiency as a function of the specif[illegible]ature of the program.

13. The procedure for inclusion of indicators of the TsKP in state plans of economic and social development and for backing up programs with resources may vary as a function of the degree of readiness of the TsKP at the moment when the drafting of the next multiannual plan begins (differences among TsKP's with respect to the degree of readiness are set forth in Point 7 of the present Basic Principles).

The physical and technical resources to support the TsKP are envisaged for those planning periods during which these programs will be carried out. TsKP's which are being carried out and also those which are to be carried out in the upcoming planning period must be fully backed up with resources in state 5-year and annual plans of economic and social development. Since a preliminary linkage of the programs' needs for resources with possible resources of the upcoming planning period is done without detailed balance-sheet computations when the List of Problems is being drawn up and when the initial assignments are written up for drafting the programs, and also because there are possible changes in conditions for carrying out the programs to be pursued, inclusion of assignments and measures of these programs in the 5-year plan necessitates a supplemental check on the backing of these programs in terms of resources and even a correction of those assignments and measures in a number of cases. The draft proposal of the upcoming 5-year plan must not, then, allocate less resources for carrying out the program than has been envisaged by the program. If there is a deficiency of resources to carry out all the programs scheduled to be carried out, the most important of them are chosen for inclusion in the plan so that the programs to be carried out will have full backing in terms of resources. For the programs which remain after the selection a reassessment must be made and the entire system of interrelated indicators revised, including the final (specific) indicators of the assignments and measures of the TsKP, which are then included in the plan in revised form.

As a rule correction is made in the TsKP's to be carried out simultaneously with preparation of the draft proposals of 5-year plans, and the procedure shall be as follows. First of all, in the stage of preparing the Main Lines of Economic and Social Development of the USSR over the 5-year period socioeconomic tasks and the production and scientific-technical capabilities of the national economy in that period are revised, and an analysis is also made of progress in fulfilling the TsKP's in effect, and proposals for correcting them are prepared. The proposals for correction of the program must contain the following:

i. justification of the need to correct the program and an indication of the reasons for making the specific changes in the program;

ii. a characterization of the changes in the program which are being proposed;

iii. the impact of the changes to be made on the final (specific) indicators of the program, on indicators of the need for resources, efficiency indicators and the dates for fulfillment of the program, and also on development of economic sectors and industries, the national economy of the union republic (economic region) and the economy as a whole.

When the programs are being corrected, it is indispensable to make an interrelated reassessment of the entire system of indicators, assignments and measures of the program previously approved and of the respective indicators of plans of economic and social development. No individual indicator in a program can be altered separately.

On the basis of the corrections made, the needs of the comprehensive programs for the principal resources are revised, and sources for meeting those requirements are determined. A computation is made of the total need of all TsKP's already in effect and drafted for the upcoming planning period. This overall need for resources is set against the resource capabilities of the national economy for each type of resource, and the maximum amount of resources which can be allocated to carrying out the TsKP's is determined in the context of all the needs of the national economy. Priority here is given to providing all necessary resources for programs whose fulfillment is already under way.

The order of priority of programs which have been drafted but are not yet being carried out is also determined. Here it is necessary to take into account not only the scale, importance and complexity of the problems to be solved, but also the amount of spadework available for the programs and also possible losses and disproportions in the national economy resulting from carryover of deadlines for accomplishment of a particular TsKP.

After the programs are selected for inclusion in the upcoming multiannual plan, the indicators of the programs are interlinked to the plan's general economic indicators, sector and industry indicators and regional indicators.

The indicators of the programs are interlinked with the indicators of the plan not only during the drafting of the proposed versions of the Main Lines of USSR Economic and Social Development for the 10-year period and reference figures for the upcoming 5-year period, but also during preparation of the draft proposal of the 5-year plan.

In the stage of working up the reference figures for the upcoming 5-year period and the draft versions of 5-year plans of USSR ministries and departments and union republics the indicators of the programs are broken down into planned assignments of sectors and industries and republics participating in carrying out the development called for by the program.

In the stage of drafting the proposed version of the 5-year plan detailed work is done on the questions of furnishing resources to support the programs.

Calculations of the justification of furnishing resources for the programs should be closely linked to the system of planning balances compiled in the process of preparing the draft proposal of the 5-year plan.

14. Progress in carrying out the TsKP is monitored by government statistical agencies according to the forms and by the procedure established by USSR Gosplan and the USSR Central Statistical Administration. Completion of accomplishment of the TsKP must be officially recorded by the appropriate document.

The present Basic Principles are the standard principles to be used as the basis for drafting specific procedural guidelines for concrete comprehensive programs so as to take into account differences between programs of different types and the specific conditions of shaping them. In addition to the present Basic Principles, USSR Gosplan has prepared guidelines on methods of drafting scientific-technical programs (included in the Guidelines on Methods of Drafting State Plans of USSR Economic and Social Development, adopted by USSR Gosplan in Decree No 63 dated 31 March 1980), and also Guidelines and Methods of Drafting Comprehensive Goal-Directed Programs for Solving Regional Problems and for Shaping and Developing Regional Industrial Complexes, approved by Decree No 18 of USSR Gosplan on 31 January 1980.

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PLANNING AND PLAN IMPLEMENTATION

BACHURIN ADVOCATES TIGHTER COST, PLAN CONTROL

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 7, Jul 80 pp 14-25

[Article by A. Bachurin, deputy chairman of USSR Gosplan: "Enhancing the Effectiveness of the Plan and of Cost Accounting"]

[Text] The main lines for the country's economic development in the present stage have been defined in the decisions of the 25th party congress and subsequent plenums of the CPSU Central Committee. They call for a comprehensive approach to improving all units of the economic mechanism to performance of measures to speed up scientific-technical progress and the growth rates of labor productivity, to raising product quality, and to optimum utilization of physical, labor and financial resources.

An important place in this package of measures is given to strengthening cost accounting (khozraschet) and to strengthening the influence of economic instruments and incentives on the efficiency of social production in its mutual relationship with improvement of planning. It is well known that these issues were also raised in previous stages of the construction of socialism. In the very first years of the existence of the Soviet state V. I. Lenin paid much attention not only to planning, but also to cost accounting. In the early twenties, in the prewar years that followed and in the postwar years a number of decisions were made to promote dissemination of this method of conducting economic activity, and this has played a large role in development of the socialist economy. Quite a bit was done to perfect cost-accounting relations and economic instruments on the basis of the decrees adopted in 1965 by the party and government to improve the management of agriculture and industry.

But certain antikhozraschet tendencies in remuneration of labor and utilization of productive resources have begun to emerge in recent years in these sectors of the economy and in construction. At many industrial enterprises, construction sites and sovkhozes the average wage is allowed to grow faster than the rise of labor productivity, and assignments for reduction of production cost and the growth of profit are not fulfilled. Not uncommonly in such cases reference is made to causes that do not depend on the enterprises and organizations themselves. The principal cause of these adverse phenomena is the poor orientation of all managerial activity toward efficiency and quality, violation of the basic principles of cost accounting, which call for measuring costs against the final results of activity, adherence to an economy regime, and the proper combination of the economic interests of workers of enterprises with the interests of the state as a whole.

It is a peculiarity of the measures that have been taken to develop cost accounting that they are closely linked to improvement of the planning system and planning methods at all levels of guidance of the economy and are aimed at guaranteeing high final results in the activity of enterprises, associations and ministries. Strengthening the interrelationship between the plan and cost accounting is a natural process in the context of mature socialism. It objectively arises out of the level attained in the socialization, concentration and specialization of production and from the ever growing influence of scientific-technical progress on society's economic and social life. Under those conditions higher requirements are imposed on state planning, while on the other hand there is a greater need to expand in every way the economic initiative and independence of enterprises, especially large ones (production associations), in resolving the problems of production engineering and social questions and to enhance the role of work collectives in the management of production.

Cost accounting is in fact a method of managing production which makes it possible, relying on a system of economic instruments and incentives, to enhance the material and moral interests of work collectives in improving the final results of activity, to develop their initiative in the effort to fulfill plans and to make efficient use of productive resources. Cost accounting acts by economic means to supplement and develop the planning principle, motivating work collectives to augment output at lower current costs and one-time expenditures. That is why cost accounting should undergo further development in all branches of physical production and in the service sphere. Practical measures need to be taken to strengthen the effect of cost accounting on economical and efficient utilization of labor, physical and financial resources in the industrial sector, agriculture, construction, all branches of transportation, trade and the service sector.

In order to make cost accounting more effective the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 granted enterprises and associations additional rights that make it possible for them to solve many problems of economic and financial activity independently (within the limits of the assignments of the state plan). At the same time conditions for plan-governed and uniformly paced activity of enterprises and for maintenance of stable economic relations among them will be created by improving the centralized methods of planning and management.

It is well known that the cost-accounting interests of enterprises are not uncommonly weakened by the fact that plans are not internally consistent or because the assignments set forth in the plan are frequently revised. Nor is the practice of awarding incentives on the basis of rates that change annually conducive to strengthening cost accounting. That is why it will be very important to development of cost accounting and economic incentives to carry out the measures envisaged by that decree to improve the internal consistency of multiannual and current plans, to enhance the role of 5-year plans and long-term standards and norms in organizing the economic and financial activity of every enterprise.

Cost accounting is expected to promote a growth of revenues of the state budget. It is not just the economic interests of enterprises, but those of the entire society as represented by the socialist state that are manifested in cost-accounting relations. Broader introduction in industry and capital construction of the normative method of profit distribution on the basis of the assignments of the 5-year plan will have essential importance to the proper combination of those interests.

Thus strengthening cost accounting is closely related to raising the level of planning work in the national economy and the degree of soundness of assignments of the 5-year plans, to improvement of their internal consistency, and to restructuring the indicators of the plan and criteria used in evaluating the performance of socialist enterprises. Indicators characterizing the final results of performance from the standpoint of the national economy are taking on ever greater importance both in plans and also in the system of cost accounting and economic incentives. This is one of the fundamental demands of the July decree of the CPSU Central Committee and USSR Council of Ministers, one which must be met in the 11th Five-Year Plan.

Improvement of the system of wholesale prices and rate schedules is an important prerequisite for development of cost accounting. The wholesale prices in effect on the means of production and consumer goods have not been revised for a long time and do not reflect the changes that have taken place in production costs. There are large differences in the level of profitability within industries and at enterprises, which detracts from the most important principle of cost accounting--the measurement of costs against the results of production.

In accordance with the decree on improvement of the economic mechanism a decision has been made to revise wholesale prices of industrial products and to put them in effect as of 1 January 1982. The purpose of this enactment was to bring the price level closer to socially necessary expenditures and to create conditions more favorable for increasing the effectiveness of cost-accounting instruments. It is very important that the new wholesale prices in all industries reflect more correctly the social cost of products, including the value of the surplus products necessary for expanded reproduction and for formation of social consumption funds. This will make it possible to utilize more fully cost-accounting incentives and to strengthen economic responsibility of enterprises and ministries for the results of economic and financial activity.

It is also important to making cost-accounting instruments and economic incentives more effective that the stability of wholesale prices be maintained. This principle in price setting is usually related to planning and above all to enhancement of the role of 5-year plans. But it also has importance to development of cost accounting and above all introduction of stable economic norms and standards. Cost accounting will not yield the due benefit if rates for distribution of profit, wage fund allowances, the rates for formation of the unified fund for development of science and technology and the rates used to form incentive funds are revised frequently because of changes in wholesale prices.

The measures being taken to improve the economic mechanism are based on long-term rates governing the formation of these funds. This is one of the decisive directions for making cost accounting and economic incentives more effective in the 11th Five-Year Plan. Regardless of certain difficulties in balancing plans and also the recomputation of the 5-year plan in the new prices, which will come in 1982, the stability of economic norms and standards must be preserved at the level of ministries, associations and enterprises, provided the wholesale prices remained unchanged during the 5-year period.

The decree on improvement of the economic mechanism states that in order to enhance the economic responsibility of production associations (enterprises), all-union (republic) industrial associations and ministries for the results of financial and economic activity and to strengthen their motivation to make the most efficient use of physical and financial resources a stable rate of deductions from profit (differentiated by years) that will be left to their disposition will be established beginning with the 11th Five-Year Plan for industrial ministries (as they become prepared) on the basis of the assignments set forth in the 5-year plan. The profit left to the disposition of industrial, construction and transportation ministries in accordance with the invariable rate established for them may be used to finance capital investments, to repay bank credit and to pay interest on credits, to augment working capital, to build up a unified fund for development of science and technology and economic incentive funds, and also to cover other planned expenditures to develop the industry or sector. In other words, all outlays to develop the sector or industry will be financed from the ministry's own income. This is the essence of cost-accounting financing as distinguished from budget financing, which was done from sources at the disposition of the state as a whole.

In the past cost-accounting instruments have operated primarily as incentive factors. Economic responsibility for the results of performance was weak, which not uncommonly encouraged a tendency toward dependency. Cost accounting cannot be full and complete under such conditions. Adoption of the normative method of profit distribution makes it possible to enhance the economic responsibility of ministries, associations and enterprises for fulfillment of the 5-year plan and for the results of economic and financial activity. Should the profit plan assigned in some year of the 5-year plan not be fulfilled, payments to the budget envisaged for that year are made in the full amount on the basis of a corresponding reduction of the profit left to the disposition of the ministry. This makes it incumbent upon economic authorities to pay more attention to the questions of production efficiency and to draft organizational and technical measures that ensure unconditional fulfillment of the assignments of the 5-year plan. It is also very important that 50 percent of the above-plan profit (without taking into account incentive supplements to wholesale prices for efficiency and product quality) is left to the disposition of ministries, associations and enterprises.

Certain ministries propose in connection with adoption of cost accounting within the sector or industry that prices include a rate of profit sufficient to fully cover these expenditures. It is legitimate to pose the problem in this way, and attention should be paid to this when the new wholesale prices are set. At the same time the decree provides that in case of insufficiency of own resources to finance capital investments in production facilities, bank credit or funds from the state budget may be used. Cost-accounting financing makes it possible to enhance the economic motivation of ministries and enterprises and to strengthen their responsibility for the final results of their activity. This motivation and this responsibility tend to strengthen one another thanks to introduction not only of the normative method of profit distribution, but also the new procedure for planning wage and economic incentive funds.

The press has repeatedly noted the essential shortcomings in the planning of wage funds in industry, construction and other sectors. The main defect is that the absolute size of the wage fund as outlined in the plan is only weakly linked to the indicators of the growth of output and the rise of production efficiency. Overexpenditures of the wage fund occur as a consequence, and not uncommonly the average wage rises faster than the rise of labor productivity, which tends to make products more expensive and to weaken cost accounting.

Performance of the measures outlined by the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 will make it possible to improve the effectiveness of the plan and cost accounting in efficient use of wage funds. Moreover, this will augment not only the motivation, but also the responsibility of ministries, associations and enterprises for optimum expenditure of wage funds. The standard wages assigned in the 5-year plan (differentiated by years) are to be stable and may be revised only in cases which do not depend on the performance of enterprises in the sector or industry. On the basis of application of long-term standard wages per ruble of output the dependency of the wage of every worker and of work collectives as a whole on the rise of labor productivity and improvement of the other final results of performance will be strengthened. Of course, this method of linking the dynamic behavior of wage funds to the results of production can be reliable only provided the indicators of the growth of production and the rise of labor productivity correctly reflect the actual contribution made by work collectives. That is why the transition to the new indicators and above all to broad application of normative net output needs to be made more rapidly.

Production associations (enterprises) have been extended the right to pay supplements to wage rates and salaries for combining occupations and for performing a specified amount of work with fewer workers as well as supplements for high occupational skill or high qualifications of workers out of the saving on the wage fund achieved against the assigned standard. This enhances the material motivation of work collectives to raise productivity and to improve workmanship. But at the same time it also enhances their responsibility for fulfillment of the plan for production and for labor productivity, since only under that condition can they count on full use of the saving within the limits of the planned wage fund.

Economic incentive funds, whose growth in the 11th Five-Year Plan is to be made directly dependent on improvement of qualitative indicators of the performance of work collectives, are being used analogously. This means that the growth of the entire fund for remuneration of labor is to be earned by work collectives. Accordingly, the rise in remuneration of each worker's labor also depends on the quantity and quality of his work. Simultaneously with improvement of planning, cost accounting needs to be steadily strengthened if this principle is to be consistently adhered to. This is confirmed by the experience of advanced enterprises which have adopted progressive forms of remuneration such as the Volga Motor Vehicle Plant, the Rybinsk and Kaluga motor plants, and other industrial enterprises, as well as sovkhozes and kolkhozes.

On progressive kolkhozes where the planning of production has been properly organized an authentic cost-accounting approach is being taken to the distribution of income, the growth of remuneration for labor is increasing simultaneously with the growth of net income, which makes it possible to allocate the funds necessary for capital construction and for formation of social consumption funds. Yet on those farms where the principles of cost accounting are not properly observed, there are many shortcomings in the optimum organization of work, in the efficient planning of farm work and in the distribution of income. On such farms it is not uncommon for the rise of remuneration to exceed the rise of labor productivity, and the size of the farm's own investment funds (indivisible funds) is inadequate for expanded reproduction.

Consequently, it is a very important condition for consistent adherence to the socialist principle of remuneration according to labor that the plan and cost accounting be made more effective. Authentic economic motivation to improve the final results of performance from the standpoint of the national economy cannot be created in work collectives solely by means of the plan and planning indicators unless the principal requirements of cost accounting are met. That is why at the present time, along with improvement of planning, more attention should be paid to improvement of other components of the economic mechanism, above all strengthening cost accounting and improving the distribution of the income of state enterprises and kolkhozes.

It would be wrong to suppose that the effectiveness of the economic mechanism can be strengthened substantially and that high final results of the activity of socialist enterprises can be achieved in practice solely by making changes in the procedure for distribution of income and in the forms of remuneration of labor. These measures, as our experience and the experience of a number of socialist countries has shown, need to be sensibly combined with improvement of planning, organization and management. On that basis cost accounting itself is applied more effectively.

In capital construction, for example, it is quite vividly evident that introduction of progressive economic methods and forms of distribution of income, including the team job contract, will not yield a sufficient benefit if serious shortcomings continue to be noticed in the organization and management of construction work, in its planning and in its material and technical supply. Taking this circumstance into account, the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 provided for a package of interrelated measures to simultaneously improve all components of the economic mechanism in capital construction. More attention must in this connection be paid to reorganizing planning and project planning and to the punctual and integrated supply of the necessary material and technical resources to construction projects. The task is to orient construction toward on-schedule activation of enterprises and facilities prepared for the manufacbture of products or the rendering of services.

The principles of cost accounting and economic instruments and incentives are expected to play a large role in speeding up scientific-technical progress and in making scientific research more effective. Particular attention is being paid to development of cost-accounting financing and economic incentives in scientific research, design, project planning and design, and production engineering organizations, as well as in scientific-production associations and pilot (experimental) production operations. These organizations are nearing completion of the transition to the cost-accounting system of conducting projects to create, put into production and apply new technology on the basis of job orders (contracts), which define the final results of scientific research and experimental projects and dates for their completion--from scientific research to application to production. The unified fund for development of science and technology is being created to finance scientific research, experimental design and production engineering projects in ministries and departments; it is built up from deductions from profit of subordinate production or scientific-production associations and enterprises.

The formation of this fund resulted from the centralized character of conducting a majority of the measures in the fields of science and technology and from the responsibility of the ministry for the uniform technical policy in the sector or industry. When necessary the ministries allot a portion of the resources of the unified fund to subordinate all-union industrial associations or production (scientific-production) associations. Creation of the unified fund for development of science and technology within associations or at enterprises, as certain economists have been proposing, could result in an unjustified scattering of resources and could make it more difficult to finance major projects which have significance to the entire sector and the national economy.

Cost-accounting relations in the field of scientific-technical activity cannot be confined to the limits of the production association (enterprise), but will gradually develop on the scale of the entire sector or industry. But when applied to the sector or industry (ministry), it is legitimate to speak of introducing certain elements of cost accounting (those which concern measuring income against expenditures, the formation of centralized funds and reserves), which are indispensable to the proper combination of the economic interests of associations (enterprises) with the interests of ministries and to use of economic methods in management of the enterprises of the sector or industry.

The total economic benefit achieved in the national economy from applying advances of science and technology serves as an extremely important criterion in evaluating the performance of the staffs of scientific research, project planning and design, and production engineering organizations, as well as of the performance of scientific-technical subdivisions in production associations and enterprises. Beginning with the 11th Five-Year Plan this indicator will be assigned in the 5-year plan (in a breakdown by years), and its fulfillment is to be taken into account when bonuses are awarded to staff members of these organizations.

Settlement for projects entirely completed and accepted by the customer instead of paying for them stage by stage is one of the elements of cost-accounting activity of scientific research, project planning and design, and production engineering organizations. The transition to the new settlement procedure is also to be completed in the 11th Five-Year Plan. This increases the role of credit in financing scientific research, project planning and design, and production engineering projects.

All the basic elements of cost accounting are gradually being imparted to the activity of sectorwide and industrywide scientific research and other scientific-technical subdivisions, which should help to speed up application of scientific-technical advances to production. The necessary normative and methods documents reflecting the new procedure have been prepared and delivered to sectorwide and industrywide ministries, on whose organizational activity the success of the matter now depends.

Timely establishment and proper application of supplements to wholesale prices has great importance to encouraging the production of efficient new technology and to improving the quality of products produced. The size of those supplements is increasing substantially for highly efficient products. For instance, the supplement is 1.5-fold greater on new products whose production is based on developments proclaimed to be discoveries or inventions.

Ministries, financial authorities and price-setting authorities are required to see to the proper and timely introduction not only of supplements to wholesale prices, but also deductions from prices (in the amount of 50 percent of the profit obtained) of products in the second-quality category as well as products which have not been certified within the specified period. If the period has expired for withdrawal of a product in the second-quality category from production, then the deduction from the wholesale price is established in the amount of the entire amount of profit. This appreciable penalty will undoubtedly promote a faster withdrawal of outdated products from production than at the present time. Not only the producer, but also the consumer should be interested in this, because the outdated product is sold at prices to which the deductions are not applied, and the total amount of deductions is paid into the state budget.

This procedure for the application of wholesale-price supplements and deductions to products for production and technical purposes is more effective than differentiation of the wholesale prices themselves so as to take into account the performance characteristics of the products manufactured, since the increase or decrease of wholesale prices is taken into account in the plan and in the report. In cases when the price level changes because a product becomes old, the plan has to be recomputed, and that involves no small difficulties.

The differentiation of prices to take into account the quality of products is economically feasible in agriculture and also in the production of consumer goods. It is especially important to correctly register performance characteristics, i.e., quality, of goods in retail prices. This requirement should be more fully taken into account for purposes of faster renewal of the assortment and expansion of the manufacture of new quality goods.

Improvement of cost-accounting relations and strengthening their influence on product quality presupposes enhancement of the role of the business contract in defining the list of products. The contract is also going to have a larger role as one of the instruments for balancing production plans with the growing needs of the national economy and the public for specific types of products. It is therefore indispensable under the new conditions to conclude not only annual contracts, but also 5-year contracts. This procedure will be conducive to more thorough work on programs for production of products in physical terms when 5-year plans are being prepared and also to achievement of stable business relations between enterprises.

The role of 5-year contracts should be enhanced both in the sphere of production and distribution of the means of production and also in the manufacture of consumer goods needed by the public. In accordance with the July decree of the CPSU Central Committee and USSR Council of Ministers contracts (agreements) are to be concluded in the 11th Five-Year Plan between main administrations of the USSR Ministry of Trade (wholesale organizations of trade ministries of union republics) and industrial associations. They are to set forth requirements concerning renewal of assortment and improvement of the quality of consumer goods and also other obligations that ensure fuller satisfaction of the demand of the public. This is something new, and there is a need for the USSR Ministry of Trade and the relevant industrial ministries to undertake to carry it out with full responsibility. On the basis of the agreements we have mentioned production associations (enterprises) in the industrial sector will conclude annual contracts with trade organizations and enterprises in which the volume, assortment and terms of delivery of the necessary goods are set forth precisely so as to take into account the demand of the public.

The contract serves as an instrument for concrete statement of planning assignments and as a means of fulfilling them, and at the same time it figures as an indispensable element in cost accounting. For this reason strengthening contractual relations is an important factor for making the plan and cost accounting more effective in the present stage. That is why we need to take immediate measures to increase the role of the contract in actual practice not only in relations among industrial enterprises, but also in other sectors, including trade, in the system of material and technical supply, and in the activity of scientific-technical organizations. This opens up the possibility of enhancing the motivation and responsibility of all enterprises and organizations for punctual and full satisfaction of the needs of the public and for improvement of the indicators of efficiency and the quality of performance.

Evaluation of the performance of enterprises and associations with respect to deliveries of products to consumers in the specified assortment and necessary quality is closely bound up with strengthening contractual relations.

This indicator characterizes the final result of the activity of industrial enterprises, and its importance in improving the economic mechanism is growing. Likewise in the construction sector the role of a final indicator like activation of enterprises and facilities prepared for the manufacture of products or the rendering of services should be considerably enhanced. The final result is also expressed by the indicators of production efficiency--the rise of labor productivity, improvement of product quality and the growth of profit. Their importance in the system of economic incentives, and that includes formation of incentive funds, is increasing.

Beginning with the 11th Five-Year Plan the material incentive fund is to be formed as a function of the rise of labor productivity and the growth of output of products in the superior-quality category, consideration being given to the level of fulfillment of the plan for product deliveries to consumers in accordance with contracts concluded (orders). The transfers of funds to the incentive fund on the basis of the rise of labor productivity and improvement of product quality, which are the principal fund-regulating indicators, are to be made at rates established in percentages of profit. As a function of fulfillment of the plan for delivery of products in the assortment and by the dates set forth in business contracts the absolute amounts of transfers to material incentive funds will increase or decrease. It has also been deemed indispensable for production associations (enterprises) to assign funds for bonuses from the wage fund and the material incentive fund primarily to encourage improvement of qualitative indicators and fulfillment of obligations related to product deliveries to consumers in accordance with contracts concluded and so as to take into account the results of socialist competition.

The principles concerning methods of forming and spending the material incentive fund, which have been prepared by central departments, take these basic principles as their points of departure. The practice of forming the incentive fund is linked to improvement of procedure for drafting 5-year plans and also to development of counterplanning and enhancement of the role of work collectives in compiling and fulfilling 5-year and annual plans. For instance, when the ministry, association or enterprise increases the fund-regulating indicators in the proposed version of the 5-year plan higher than the reference figures and in the proposed version of the annual plan over the assignments of the 5-year plan for that year, the absolute amounts of the material incentive fund increase correspondingly. In cases when ministries or enterprises adopt counterplans that exceed the assignments of the 5-year plan for that year, transfers to the material incentive fund increase for each point by which they are exceeded. For example, the rate based on the rise of labor productivity is increased threefold for that portion of the rise which exceeds the assignment of the 5-year plan. If enterprises or ministries adopt annual plans whose fund-regulating indicators are lower than the assignments of the 5-year plan for the year in question, then the total amount of the material incentive fund in the annual plan is determined at rates which are at least 10 percent lower. When enterprises fulfill obligations for each quarter and cumulatively from the beginning of the year concerning deliveries of products in the assortment and by the dates called for in the contracts concluded, their material incentive fund increases as much as 10 percent. If obligations concerning product deliveries are not fulfilled, then the material incentive fund is reduced.

It is also very important to development of the initiative of work collectives that the resources of the material incentive fund and the fund for social welfare and cultural programs and housing construction are spent by joint decision of the management of the enterprise and trade union committee in accordance with the budgets they have approved. Moreover, the proposed budgets are put up for discussion by work collectives, and after they have been adopted, they are appended to the collective agreement according to established procedure. The management and trade union committee inform the workers and employees about performance of the budgets in the intervals envisaged by the collective agreement.

During the 11th Five-Year Plan all elements of the new system of planning and economic incentives are to be thoroughly worked out, integrated and applied in practice. This means that beginning with the plan for 1981 its introduction must be gradually expanded. Success in raising production efficiency and improving the quality of performance depends on this.

In view of the present state of affairs in the drafting of multiannual plans, policy-making bodies have adopted a decision whereby the draft version of the main lines for the 1981-1985 period and for a restricted group of indicators covering the period up to 1990 is to be completed in the very near future and submitted to policy-making bodies no later than 15 September 1980. At the same time USSR Gosplan has been ordered to continue the work of preparing the proposed version of the 5-year plan for the 1981-1985 period in order to submit it to the CPSU Central Committee and USSR Council of Ministers by 15 May 1981. This will make it possible to take the positions of the 26th CPSU Congress as points of departure in the draft version of the plan for the 11th Five-Year Plan. In this connection and with a view to timely drafting of draft versions of plans for 1981 by ministries, associations and enterprises, USSR Gosplan has been ordered to prepare the draft version of the State Plan of Economic and Social Development for 1981 according to established procedure and with the participation of interested USSR ministries and departments, councils of ministers of union republics and with the enlistment of scientists as well, and to submit it to policy-making bodies no later than 1 August 1980.

The plan for 1981, the first year of the 11th Five-Year Plan, cannot but take into account its principal tasks and peculiarities. But since the plan for 1981 is in practice being compiled before the draft version of the 5-year plan is submitted to policy-making bodies, it seems that it will be possible to apply the principles of the decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 concerning additional expansion of the rights of ministries, associations and enterprises to compile annual plans and also the new procedure for economic incentives on the basis of the assignments of the 5-year plan established for the respective year mainly in 1982, i.e., in the subsequent 4 years of the 5-year period. At the same time, the practical partial or complete application of a number of principles set forth in Decree No 695 dated 12 July 1979, both with respect to improvement of the planning of industrial production and capital construction and also with respect to further development of cost accounting, should be expanded simultaneously with the plan for 1981.

One of the important tasks in improving planning work is to ensure internal consistency of volumes of production and capital construction with physical and technical resources provided for in the draft version of the plan for 1981. Planning indicators set forth in the points of Decree No 695 dated 12 July 1979 on production, labor and social development, capital construction and application of new technology and advanced know-how will be applied more broadly. Particular attention should moreover be paid to improvement of planning with respect to indicators oriented toward the final results from the standpoint of the national economy. As of 1981 the Ministry of Machinebuilding for Animal Husbandry and Fodder Production and also many production associations (enterprises) of other ministries will convert to normative net output. It is also expected that the normative method of planning the wage fund will be introduced more widely in 1981. At the present time it is in effect in eight ministries: Ministry of Power Machinebuilding, Ministry of Heavy and Transport Machinebuilding, Ministry of Electrical Equipment Industry, Ministry of Chemical Industry, Ministry of Machine Tool and Tool Building Industry, Ministry of Instrumentmaking, Automation Equipment and Control Systems, Ministry of Tractor and Agricultural Machinebuilding and Ministry of Timber and Wood Processing Industry. Expansion of its application will make it possible to take a new step forward in encouraging fulfillment of the plan with fewer workers.

It is extremely important to broader introduction of the new methods of planning and economic incentives in capital construction to improve the balance between the plan of construction output in 1981 and the material and technical support and financial backing it requires. The beginning made in 1980 to reduce the number of new construction starts in order to noticeably reduce the volume of unfinished construction will be continued. The 1981 plan should include only those construction projects for which project plans and estimates and also blueprints for the annual amount of work are available as of 1 July 1980. It is important that the draft version of the plan envisage priority allocation of funds for reconstruction and retooling of existing enterprises, including projects financed from the production development fund.

In order to develop cost accounting and enhance the role of economic levers and incentives in the next 2 years it is indispensable to make the transition of a number of ministries, above all machine-building ministries, to the normative method of profit distribution. The rates for formation of material incentive funds will be set on the basis of indicators envisaged in the basic principles on formation and expenditure of incentive funds for the 1981-1985 period. This will give industrial associations and enterprises greater motivation to raise labor productivity, to improve product quality and to increase profit. One of the tasks is to further improve the practice of evaluating and encouraging the results of economic performance of production associations (enterprises) in the industrial sector on the basis of fulfillment of assignments for product deliveries in accordance with contracts concluded.

The system governing formation and use of the production development fund in the industrial and construction sectors is undergoing substantial change beginning in 1981. The resources of that fund, which is formed in associations, enterprises and organizations, will be used for measures they themselves determine to reequip production and cannot be assigned to other purposes, including road construction. Outlays for these measures must be included in their entirety in the capital construction plan of ministries and departments for 1981 and must be furnished physical resources and amounts of contract work on a priority basis.

But the principles of Decree No 695 adopted on 12 July 1979 by the CPSU Central Committee and USSR Council of Ministers cannot be fully realized in the plan for 1981, since the assignments of the 5-year plan will not yet have been set forth. The proposed version of the 5-year plan is being drafted on the basis of broader application of the goal-directed program method of planning. USSR Gosplan has approved the list of comprehensive economic, social and scientific-technical programs and the procedure for drafting them. A new system of norms and standards is being introduced with commencement of the 5-year period concerning types of work, expenditures of labor, raw materials, supplies and fuel and energy, as well as standards governing utilization of production capacities, which will make it possible to take a sounder approach to drafting balances of physical and labor resources, production capacities, the financial balance and the balance of personal money income and expenditures. Beginning in 1982, at the same time when the new wholesale prices are introduced, all machine-building ministries and also a number of other ministries in the manufacturing industries are to make the transition to planning the volume of production and labor productivity on the basis of net output (normative). The planning of the wage fund on the basis of the standard per ruble of output will accordingly be applied more broadly as well.

In connection with introduction of the new system of indicators particular attention is being paid to improvement of physical units of measurement of output, above all in machinebuilding and ferrous metallurgy. Basic assignments for fulfillment of scientific-technical programs and also for the economic benefit from carrying out scientific-technical measures will become more important.

In the plan for 1981 and for the 11th Five-Year Plan the new principles concerning regional planning are to be applied, and more comprehensive economic and social development of regions and improved location of the productive forces will be ensured.

Particular attention should be paid in 1981 and the 11th Five-Year Plan to speeding up activation of production capacities and to increasing the efficiency of capital investments, including the following specific aspects:

i. improvement of the drafting of balances of utilization of production capacities and fixed capital and enhancement of their importance in plans;

ii. increasing the relative share of outlays for retooling and reconstruction of existing enterprises in the total volume of capital investments;

iii. ensuring a higher level of technical-and-economic substantiations of project planning and construction of projects intended for inclusion in lists of new construction starts of production facilities with an estimated cost of 3 million rubles or more;

iv. Reduction of the volume of unfinished construction in the shortest possible time to the established allowances, consideration being given to analysis of the materials of the survey of unfinished construction as of 1 January 1980.

Performance of these measures will make it possible to adopt a stable 5-year plan of capital construction which has been balanced against available amounts of materials, manufacturing and power equipment, labor and financial resources and also the capabilities of construction and installation organizations. Cost accounting will be strengthened on this basis, and economic levers will be more effective in the construction sector.

During the 11th Five-Year Plan work is to be done to make the transition to planning labor productivity in construction and installation organizations on the basis of net output (normative) and to planning the wage fund on the basis of the standard wage per ruble of output. This is one of the important prerequisites for putting order into the planning of the wage fund in capital construction and to strengthening incentives for the rise of labor productivity.

It is the task of all planning and economic entities to raise the level of soundness and internal consistency of the plan for 1981 and the 5-year plan, to apply in practice as fully as possible all the measures outlined by the party and government to increase the effectiveness of the 5-year plan, cost accounting and economic incentives. Consistent and comprehensive performance of the measures envisaged in the decree adopted by the CPSU Central Committee and USSR Council of Ministers on 12 July 1979 to improve the economic mechanism will be conducive to effective performance of the economic and social tasks of the 11th Five-Year Plan.

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PLANNING AND PLAN IMPLEMENTATION

SOCIAL PLANNING UNDER SOCIALISM DELINEATED

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[Article by A. P. Sovetova: "Political Economy--the Role of the Collective's Social Development Planning in the Mechanism of Operation of the Basic Economic Law of Socialism"]

[Text] The Place of the Enterprise's Social Planning in the Mechanism of Operation of the Basic Economic Law of Socialism

We know that well-planned development of the national economy is expected to provide for achievement of the aim of socialist production, the aim of enhancing the well-being and all-round development of the personality of the workers. The universal character of the plan-oriented movement of socialist economics is manifested in the fact that socialism makes provision for the systematic and scientific regulation of not only the technical progress and economic development but also the social processes which ensue under socialism at all the levels of organization of national production: both of the level of society and the level of the enterprise.

Scientific regulation of the social and economic processes on the scale of all of society is inseparably linked with the broad social program for the development of society in the 10th Five-Year Plan, a program designed to bring about in the future a significant enhancement of the material and cultural level of the life of the people. The objective need for and meaningfulness of this program stem from the fact that only on the scale of society can there be brought into play the most effective planning of the most important directions of the social development of this program as a whole and the concentration of the resources necessary for realization of these objectives.

Accompanying this is expansion of the boundaries of the social tasks which the socialist enterprise is expected to perform in the course of its activity. Along with the development and improvement of production, the socialist enterprises are creating the conditions for an ever fuller satisfaction of the needs of the workers and for all-round development of the personality of the worker at the enterprise. The role of the production collective in the regulation of the social and economic processes in the enterprise is reflected in the new CSSR Constitution: "The labor collectives take part in the discussion and administration of state and public affairs, in the planning of production and social development, in the training and placement of personnel, and in discussion and solution of the problems connected with management of the enterprises and institutions, improvement of the conditions of labor and life, the use of the funds earmarked for development of production, and the social and cultural measures and economic incentive programs."[1]

The common and specific character of the attainment of the highest objective of production under socialism on the level of all of society and the level of the individual enterprise can be viewed from two standpoints: on the one hand, the socialist enterprise, which is incorporated in an integrated entity of collectivized production on the scale of all of society, bases its activity primarily on the orientation of the processes of social development of society as a whole and the superiority and determinative role of these processes; on the other hand, the specific character of the solution of social problems in the enterprise stems from the characteristics of the structure of the collective, the specific nature of the needs of its members, and the resources at its command. Thus, on the level of the enterprise implementation of the chain of national production proceeds in two channels: satisfaction of the needs of the workers and all-round development of these workers as a result of the social and economic development of society as a whole and this enterprise collective in particular.

Systematic regulation of the activity of the socialist enterprise is a result of thorough social and economic planning. In the context of today's world, the planning of the social development of the production collective has emerged from the experimental stage. In the system of standard methods for compilation of the five-year plan of the association and the enterprise for 1976-1980[2] the social development of the production collective is included in the plan of the enterprise in the form of an independent section as an organic component of the plan.

The work of every socialist enterprise, which is a structural link of the entire system of national production, has always been subordinated to the overall social orientation of the development of socialist production. But in the dialectical unity of the aim of national production under socialism and the means of achieving this aim the place of the enterprise was until recently determined by the fact that its activity was primarily an organic element of production development and improvement and an element of the functioning of the means of achieving the supreme aim of national production under socialism. Whereas, in addition to the indicators for the development of national production, the national economic plans have always called for the solution of social problems on the scale of all of society, the planning in the individual enterprises is largely limited to technical and economic indicators.

Under the present circumstances this approach to planning on the level of the enterprise is now inadequate. With the transformation of the country's economic complex, the growing complexity of the social organization of production, and the increasing impact of social factors on production efficiency, there arises the need for comprehensive planning of the social and economic development of the collective of the enterprise. Where formerly there was systematic regulation of only some aspects of the social processes in the enterprise and this regulation, despite all its significance, bore a one-sided character, today the planning of the social development of the production complex encompasses something essentially new--comprehensive planning of the interrelated and interdependent social processes and their interaction with the technical progress and economic development which are in progress at the enterprise.

Awareness of these special features has also been reflected in the structure of the plans of the associations and the enterprises for the 10th Five Year Plan, which includes the collective's social development aimed at "comprehensive development of the workers' collectives, cultivation of a communist and creative attitude toward labor, humane relations in the collective, a high degree of social and political activity, enhanced welfare, and improvement of the conditions of labor and leisure."[3]

Because of this, the place of the enterprise's social planning in the mechanism of the operation of the basic economic law of socialism is determined by several factors.

First, there is improvement of the planned process of replenishment of skilled manpower in accordance with the new tasks of the scientific-technical revolution. For the projected five-year period we are also making provision for the demands which the new equipment and technology are making upon the worker, in the planning stage is improvement of the vocational skill structure of the collective, the requisite level of general education for the various types of vocations and for the enterprise as a whole, and the required system of training and advanced training of personnel; there is planned regulation of the phasing out of old vocations and the emergence of new ones; also, regulation of the vocational mobility of the workers, of curtailment of the functions of unskilled manual labor, etc. We are making possible a sounder, more differentiated approach to advanced training and general education and the skill and vocational mobility of the workers on the basis of age, the conditions of labor and life, and the interests and aspirations of each worker. All this makes more valid and more effective the planning for the replenishment of the skilled manpower on the scale of the enterprise.

Second, whereas in the plans for the scientific organization of labor (NOT) improvement of the labor conditions is the paramount economic problem, in the social development plans the labor conditions constitute a social phenomenon and the most important element in the entire complex of conditions which determine the all-round and harmonious development of the individual. Social planning makes possible a more flexible substantiation of the measures for improvement of the conditions of labor in respect to sex, age and the vocational skill structure of the workers and accordingly a more differentiated and flexible principle governing the preparation of measures for improvement of the conditions of labor. At the same time, social planning takes into account the effect of the conditions of labor on contentment on the job, on personnel turnover, and on other social, economic and psychological factors. A differentiated determination by means of a questionnaire survey of precisely which aspects of the conditions of labor are considered by the participants in the production process themselves to be detrimental makes possible the making of a more purposeful impact on the improvement of these conditions and on their social consequences.

Third, every plan for a collective's social development reflects the data on the increases in average monthly wages and on the availability of housing, children's institutions, dining rooms, dispensaries and other facilities as of the starting point and five years thereafter.

Social planning also brings into play qualitatively new factors: first, recording of most of these indicators is on a differentiated basis in line with the social structure of the collective of the enterprise (engineer-technical workers, white-collare employees, and workers as well as subdivisions based on skill within this group; second, new potentialities are developed for a more flexible estimate of the needs of the members of this collective and for substantiation of the effective ways to satisfy these needs.

The enterprise is enabled to be more flexible in allowing for the needs of the workers of this production collective. A questionnaire survey which takes into account the social affiliation, level of skill and education, age, family situation, and other factors enables us to arrive at a sound determination of the structure of the workers' needs and the order of priority of the satisfaction of these needs as a whole and for the various social groups. At the same time, this enables us to evaluate the already attained level of satisfaction of the various types of needs. This method of determining the needs and their scope pertains not only to the satisfaction of physical needs but also the needs associated with spiritual and physical development. On the other hand, the enterprise is in a position to find the most rational ways of using the resources on hand in accordance with the specific demands and needs of the workers.

We are consequently expanding those enterprise functions which are directly aimed at a fuller satisfaction of their needs and at all-round development of the members of this collective. And, at the same time, the social and economic planning at the enterprise enriches the specific mechanism for operation of the basic economic law of socialism, endowing it with the means of achieving the highest aim of production under socialism.

Establishment of the economic principles underlying the all-round development of the individual should not be limited just to economic measures to satisfy the people's needs and their spiritual and physical development. It is a broader concept encompassing not only the physical basis but also the entire complex of social and economic processes.

The essentially new character of the pooling of activity among the participants in joint labor is manifested in the form of comradely cooperation and mutual aid and it takes shape as public ownership of the means of production. But the specific mechanism for fashioning these means at the enterprise is determined by a totality of factors which further the development and intensification of these factors or else engender adverse tendencies. These factors include the nature of the conditions of labor, the form and level of its organization, the coupling of economic and moral incentive, the organization of the management of the collective, the character of the interrelationships in the collective, etc. In its current stage social planning enables us to "weigh" the extent to which each factor contributes to the concrete situation in a particular production collective; also, to regulate the effect of the factors on the changing relationships in the collective and to predict the extent of their impact on the social components of the individual's personality and on increased production efficiency. Social planning thereby opens up the possibility for a rational and purposeful regulation of the social relations in the production collective and their impact on the all-round development of the individual.

The Role of the Enterprise's Social Planning in Achieving the Loftiest Aim of National Production

In the overall direction of the aim of the social planning and the aim of the entire national production the realization of these aims on the scale of all of society and on the level of the individual enterprise is characterized by the boundaries, by the specific forms of determination and satisfaction of the people's needs, and by the resources and sources for the satisfaction of these needs.

The system approach to describing the conditions on which the enterprise can make a substantial impact enables us to determine the multifactor, special-purpose function of social planning in the enterprise and to reveal the dependence of the individual's development on the level of satisfaction of the various needs and on the factors which further this development.

In its overall aspect in the context of the limited resources provided, the special-purpose function may assume the following form:

$$\mathrm{Url} = f\ (\mathrm{Kf}, \mathrm{Kt}, \mathrm{Utr}, \mathrm{D}, \mathrm{Zhob}, \mathrm{Ubyt}, \mathrm{Kr}, \mathrm{Fr}, \mathrm{Sr}),$$

where Url = the conditions for satisfaction of the requirements for all-round and harmonious development of the individual, Kf the level of skill of the worker, Kt the cultural and technical level of the worker, D the level of income, Zhob the extent of provision of housing, Ubyt, the extent of provision for the living conditions, Kr the level of cultural development, Fr the level of physical development, and Sr the level of the social responsibility and activity of the individual (his "social components").

The multifactor function is indicative of the fact that the development of the individual derives from the level of satisfaction of various needs. Also, the satisfaction of needs and the all-round development of the individual are determined not only by the quantity of consumer values for which the workers' monetary income will be expended, but by conditions of labor and life which the enterprises are expected to provide for and by the social situation in the enterprise.

To provide for optimum selection of the paths to follow in adapting Url for full satisfaction of the requirements, it is necessary to have a scientifically sound regulation of this process: first, determination of the optimum for each of the factors (arguments) of the special-purpose function; second, determination of the analytical and quantitative change in the special-purpose function as a result of a change in each of the arguments; third, determination of the interrelationship and the interdependence among the arguments themselves. Only on this basis is it possible to exercise scientific control over the process of establishing the conditions for all-round, harmonious development of the personality of the individual.

Socialist planning in the enterprise does not take care of the solution of the entire complex of problems associated with control of the process of all-round development of the individual. The latter task is accomplished primarily on the level of all of the national production and the socialist production as a whole. But the effectiveness of the solution of these problems is dependent on a comprehensive approach to both the macro- and the microsystem. Hence, the planning of the social development of the collective is one of the important directions for incorporating these problems in the microsystem: on the scale of the individual enterprise and through the use of its resources.

The need for a fuller satisfaction of the material and cultural requirements and all-round development of the individual makes for an integral blending of the special-purpose function of the development of national production and the need for operational development of both the production as a whole and that of each individual enterprise. We are expanding the limits of the direct aim of the activity of the socialist enterprise. In addition to the development and improvement of production, this objective has come to include direct satisfaction of the needs of the workers and establishment of the conditions for all-round development of the personality of the worker of the enterprise and the attainment of this objective is inseparably bound up with the planning of the social development of the collective.

This does not have anything in common with the social isolation of the individual enterprise or with the task of bringing its social function into relation with society. The new form of implementation of systematic operation is carried out in accordance with the overall social direction of national production under socialism but within the framework of the production entity--the enterprise; it furthers the achievement of the highest objective of socialist production and it helps to bring about a more intensive type of satisfaction of the needs of the members of society.

The social planning in the enterprise is directly linked with improvement of the mechanism of operation of the basic economic law of socialism under present-day conditions. This makes it possible to view the planning of the social development of production first, as an organic component of the planned management of the social processes in society as a whole, enabling us to effectively combine in a single process the establishment of the conditions for a fuller satisfaction of the needs both on the scale of all of society and on the level of every individual enterprise; second, to view social development planning as one of the ways to reinforce the regulatory role of the basic economic law of socialism which law is designed for intensification of the direct subordination of production on all its levels to the highest aim of socialism, including the labor process itself, as one of the aspects of the shaping of a fully developed invidiaul under socialism; third, as an indicator of the reinforcement of the functions of production under socialism stemming from the increased degree of satisfaction of needs and resulting in the enterprise's participation in this process not only through the creation of consumer values but also directly (there also ensues a distinctive "interpenetration" of aims and means)[4]; fourth, as a result of the intensification of the planned regulation of the social processes at all levels of social organization, including the production collective, fifth, as one of the new forms of application of the basic economic law of socialism in the work of communist construction on the level of the socialist enterprise.

It seems right, in this connection, to state that we view the basic economic law of socialism as a law governing the movement of all of national production and as a form of reflection of the national economic interest; it cannot and must not fail to give consideration to the effect of the basic economic law of socialism on the level of the production activity of the enterprise. But in literature the view of the aim of national production as a whole--particularly the ever fuller satisfaction of the needs of society and all-round development of all of its members--is considered unacceptable on the level of the microeconomic subdivisions (the enterprises and their associations) and it is suggested that the notive force and the goal of their activity be the continuous growth of the efficiency of national production and the acquisition of net income, or profitabl[illegible]se of the public funds.[5] This, in essence, means impoverishment of [illegible]im of the activity of the socialist enterprise and diminution of the role of its specific social functions even though it constitutes not only a production unit but also a social entity--the socialist production collective.

In our opinion, under present-day conditions we get a distinctive and direct "penetration" of the aim of national production at all levels of the production entity. An important requirement for this in the enterprise is improvement of the distribution of surplus product as one of the integral components of the physical instrumentalities of the basic economic law of socialism. In accordance with this, in order to achieve optimum blending of the interests of society, the collective and the individual, society places an increasing proportion of the profit under the control of the enterprises. It is used for establishing the economic incentive fund and this expands the enterprise's physical base for sustaining both the technical and economic and the social development of the production collective.

Thus, of the total volume of profit in 1965, amounting to 36.062 billion rubles, 6 percent was withheld for the economic incentive funds of the state enterprises and economic organizations. In 1978 the volume of profit was 112.582 billion rubles and 17 percent of the profit was withheld for the economic incentive funds. As a result, the enterprises' economic incentive funds used in 1965 amounted to 2.559 billion rubles and in 1978 to 27.936 billion, of which 23,742 billion rubles comprised the funds accumulated in accordance with the new system of planning and economic incentive. Of this total of economic incentive funds of the enterprises there were 15.155 billion rubles in the capacity of a substantial reserve for the accomplishment of various technical and socioeconomic tasks. These funds were distributed among the various types of funds in the following manner: financial bonus fund--6.166 billion rubles, fund for social and cultural measures and housing construction--2.174 billion, fund for production development--6.185 billion rubles.[6]

Accompanying these processes is an escalation of the role of the production collective not only as an economic but also a social focal point of society. Also ensuing is more extensive participation of the workers in production management. Concentrated in the enterprise are many social processes which determine the satisfaction of needs and the development of every individual.

Transforming national production into a single shop with a communist level of collectivization of production will inevitably be accompanied by a further interpenetration of the aim of national production as a whole and each of its component parts; and with it an increase of not only the production role of the enterprise or association but also their social functions in line with the overall direction of the social development of society as a whole.

At the same time, society is not uninterested in the kind of economic effect that can be gotten from the social changes in the collective, particularly because under present-day conditions the technical, organizational and social factors of production engender changes associated with the growing role of these changes. It is therefore legitimate to address the methodological problem of the goal of social planning in relation to the coordination of the technical, economic and social aspects of national production. But this also produces a dual effect: first, as a fuller satisfaction of the needs of the workers and their all-round development but "if they are "considered in organic relationship with the tasks of increasing production efficiency"[7] and second, as a stepping up of production efficiency. In light of the apparent surface unity of these two aspects of the aim of social planning, this interpretation is based on the polarity of these aspects because the special isolation of the second aspect is based on the concept of satisfaction of the needs and all-round development of the individual from purely consumer standpoints. This concept does not conform to the requirements of present-day production or to the transformation of the all-round development of the individual into the most important factor of economic development itself, which also enables us to see in this process not only the social effect but also the direct economic one. It is linked with development of the most important element of the productive forces--the worker himself--and with his output, which must insure fulfillment of the aim of social planning in the enterprise.

This dual aim, as described above, can be examined only in a broader context: as the goal of the comprehensive social and economic development of planning.

Consequently, a fuller satisfaction of the worker's needs and all-round development of the worker's personality organically encompasses the achievement of both the social and the economic effect associated with the increased efficiency of national production.

Understanding this problem is complicated by the fact that most of the social processes under present-day conditions obtain only a quantitative evaluation and the difficulties attending the establishment of qualitative criteria for them are inhibiting determination of the relationship between the concrete social changes and the indicators of economic effectiveness. However, with the present-day level of sociological research it is possible to determine the relationship and dependence as between the various types of social processes (for example, education, skill, etc.) and the economic indicators.

Thus, systematic regulation of the social processes in the enterprise reflects the growth of its role in carrying out the overall social program for the development of society and in achieving the highest aim of national production under socialism not only by creating material wealth and enhancing production efficiency but also directly by helping to create the conditions for a fuller satisfaction of the needs and all-round development of the individual within the framework of the production unit.

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FOOTNOTES

1. The Constitution (Basic Law) of the Soviet Socialist Republics. Moscow, 1978, Art. 8.

2. "The Five-year Plan of the Association and the Enterprise. The Standard Methods of Compiling the 1976-1980 Five-Year Plan of the Production Association (Combine) and Enterprise"--EKONOMICHESKAYA GAZETA, 1975, No 4.

3. Ibid.

4. "Now far closer and deeper is the interrelationship between the aim of social production and the means for achieving this aim." (Kozlov, G. "The Basic Economic Law in the Context of a Developed Socialism." VOPROSY EKONOMIKI, 1973, No 5, P 10.

5. Anokhin, V. "The Basic Economic Law of Socialism and the Activity of the Enterprise."--EKONOMICHESKIYE NAUKI, 1972, No 3, p 18 and 20; VETNIK MOSKOYSKOGO UNIVERSITATA. Series VII. "Ekonomika [Economics]," 1974, No 3, pp 78-79 (Andreyev, B. F.--From a review of articles).

6. NARODNOYE KHOZYAYSTVO SSSR v 1978 GODU ["The USSR National Economy in 1978"]. Moscow, 1979 p 515, 516, 529, 530.

7. Bezrukov, A., Dmiterko, D. and Frish, A. "Social Planning and Production Efficiency"--VOPROSY EKONOMIKI, 1978, No 1, p 131.

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